HYDRO66 HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hydro 66 Holdings Corp.

Opinion

We have audited the accompanying consolidated financial statements of Hydro 66 Holdings Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Professional Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $5,273,358 during the year ended December 31, 2019. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Impairment of property and equipment
The Company carries property, plant and equipment at a net book value of $14,401,005. The Company experienced a decline in revenues and a net loss for the year ended December 31, 2019 which represent indications of potential impairment of the property, plant and equipment. The Company is therefore required to perform an impairment review in accordance with International Accounting Standards (IAS) 36, "Impairment of Assets".

Impairment of property, plant and equipment is considered subjective and requires significant judgement when determining its recoverable amount, such as timing and extent of future revenues, costs of running the data centre and discount rate used. We therefore identified impairment of property, plant and equipment as significant to our audit.

Our audit work included, but was not restricted to:

- assessing whether the accounting policies adopted by management and disclosures of key judgements are in accordance with the requirements of IAS 36;
- testing management's assessment of the carrying value of the property, plant and equipment including a consideration of the appropriateness and accuracy of the methodology applied in preparing the impairment model, sensitivity analysis and evaluating the discount rate applied;
- comparing the market capitalization of the business against the carrying value of the property, plant and equipment; and
- obtaining an understanding of the strategic direction of the Company and its focus on attracting new long term enterprise customers through investment in sales and marketing.

The Company's accounting policy and judgements taken are shown in Note 5 to the consolidated financial statements.

Other Matters

The consolidated financial statements of Hydro 66 Holdings Corp. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Peter Maloff.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

April 28, 2020

HYDRO66 HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	Dec 31, 2019 $	Dec 31, 2018 $
ASSETS			
Current assets			
Cash		997,568	2,304,416
Amounts receivable and prepaids	8	1,011,942	2,270,602
Total current assets		2,009,510	4,575,018
Non-current assets			
Property, plant and equipment	9	14,401,005	15,903,314
Right-of-use assets	10	1,939,674	-
Digital currencies	11	16,477	123,838
Total non-current assets		16,357,156	16,027,152
TOTAL ASSETS		18,366,666	20,602,170
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	1,732,693	3,253,712
Current portion of lease liabilities	13	416,882	-
Total current liabilities		2,149,575	3,253,712
Non-current liabilities			
Convertible debenture	14	3,651,991	1,706,895
Lease liabilities	13	1,595,350	-
TOTAL LIABILITIES		7,396,916	4,960,607
SHAREHOLDERS' EQUITY			
Share capital	16	34,890,714	33,123,712
Other reserves		(7,155,763)	(7,155,763)
Share option reserve		1,794,867	1,342,389
Foreign exchange reserve		(1,445,505)	172,430
Deficit		(17,114,563)	(11,841,205)
TOTAL SHAREHOLDERS' EQUITY		10,969,750	15,641,563
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18,366,666	20,602,170

Nature of Operations and Going Concern – see Note 1
Commitments – See Note 20
Subsequent Events – See Note 23

These consolidated financial statements were approved for issue by the Board of Directors on April 28, 2020 and are signed on its behalf by:

David Rowe
Director "David Rowe"

Richard Croft
Director "Richard Croft"

Richard Croft

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

HYDRO66 HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Years ended Dec 31, 2019 $	2018 $
Revenue	19, 21	4,273,047	7,644,122
Cost of sales			
Direct costs		2,639,005	5,805,646
Depreciation	9,10	1,993,372	1,127,397
		4,632,377	6,933,043
Cryptocurrency Related Items:			
Impairment on digital currencies	11	29,213	212,042
Disposal of digital currencies loss / (gain)		(322,556)	(1,590,555)
Gross (loss) income for the period		(65,987)	2,089,592
Administrative Expenses			
Accounting and administration		50,341	83,292
Audit		275,478	252,049
Bank charges		1,696	9,249
Bad debt expense / (recovery)		(57,543)	117,792
Legal and professional fees	21	1,107,486	629,356
Marketing and promotion		106,233	310,344
Management fees, salaries & wages	21	1,638,229	2,192,281
Office		62,462	155,935
Regulatory and filing		68,278	56,336
Share based compensation	16, 21	431,404	1,342,389
Technical support and security costs		544,731	662,623
Travel	8	124,188	247,835
Other operating expenses		422,658	432,736
Total admin expenses before acquisition and listing expenses		4,775,641	6,492,217
Acquisition and listing expenses	6	0	1,960,925
Total admin expenses		4,775,641	8,453,142
Loss before other items		(4,841,628)	(6,363,550)
Other expenses			
Interest and other (income) / expense		421,287	2,912
Foreign exchange loss / (gain)		10,443	(30,641)
		(431,730)	(27,729)
Net (loss) income for the period		(5,273,358)	(6,335,821)
Other comprehensive income / (loss) for the period			
Items that will be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(1,617,935)	(310,233)
Comprehensive (loss) income for the period		(6,891,293)	(6,646,054)
Income (loss) per share – basic	17	$(0.041)	$(0.063)
Income (loss) per share – diluted	17	$(0.041)	$(0.063)
Weighted average number of common shares outstanding – basic		128,824,975	106,166,667
Weighted average number of common shares outstanding - diluted		128,824,975	106,166,667

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

HYDRO66 HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Twelve months ended Dec 31, 2019

	Share capital	Share capital	Other reserve	Share option reserve	FX reserve	Deficit	Total Equity
	Number of shares	Amount $	$	$	$	$	$
Balance at December 31, 2018	127,000,000	33,123,712	(7,155,763)	1,342,389	172,430	(11,841,205)	15,641,563
Shares issued for proceeds (note 16)	3,649,950	1,824,975	-	-	-	-	1,824,975
Share issuance cost (note 16)	-	(57,973)	-	21,074	-	-	(36,899)
Share based compensation (note 16)	-	-	-	431,404	-	-	431,404
Net loss for the period	-	-	-	-	-	(5,273,358)	(5,273,358)
Translation adjustment	-	-	-	-	(1,617,935)	-	(1,617,935)
Balance at December 31, 2019	130,649,950	34,890,714	(7,155,763)	1,794,867	(1,445,505)	(17,114,563)	10,969,750

Twelve months ended Dec 31, 2018

	Share capital	Share capital	Other reserve	Share option reserve	FX reserve	Deficit	Total Equity
	Number of shares	Amount $	$	$	$	$	$
Balance at December 31, 2017	152,789,005	22,226,890	(7,655,763)	208,386	(137,803)	(5,276,326)	9,365,384
Conversion of share options in Hydro66 UK Ltd	-	-	-	(208,386)	-	81,175	(127,211)
Issue of share capital Arctic Blockchain Limited	5,000,000	50,000	-	-	-	-	50,000
Issue of shares to acquire Hydro66 UK Ltd	100,000,000	1,000,000	500,000	-	-	-	1,500,000
Conversion of debenture	20,000,000	10,000,000	-	-	-	-	10,000,000
Consolidation of shares on a 76.3945 to 1 basis	(150,789,005)	-	-	-	-	-	-
Share issuance costs	-	(153,178)	-	-	-	-	(153,178)
Share based compensation	-	-	-	1,342,389	-	-	1,342,389
Net loss for the period	-	-	-	-	-	(6,646,054)	(6,646,054)
Translation adjustment	-	-	-	-	310,233	-	310,233
Balance at December 31, 2018	127,000,000	33,123,712	(7,155,763)	1,342,389	172,430	(11,841,205)	15,641,563

HYDRO66 HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended Dec 31,	
	2019	2018
	$	$
Operating activities		
Net income / (loss) before tax for the period	(5,273,358)	(6,335,821)
Adjustments for:		
Depreciation of property, plant and equipment	1,527,299	1,127,397
Depreciation of right-of-use assets	466,073	-
Share based compensation	431,404	1,342,389
Listing expenses	-	1,500,000
Impairment on digital currencies	29,213	212,042
Profit on disposal of digital currencies	(322,556)	(1,590,555)
Payments received in digital currencies	(2,616,018)	(572,628)
Finance expenses	424,065	2,912
Net change in working capital	(257,420)	185,329
Cash (used in) / from operations	(5,591,298)	(4,128,935)
Investing activities		
Additions to property, plant and equipment	(234,281)	(8,623,796)
Proceeds from disposal of intangible assets	2,350,458	1,644,426
Net cash used in investing activities	2,116,177	(6,979,370)
Financing activities		
Proceeds from debenture issuance	1,695,198	11,706,895
Lease payments	(566,882)	-
Issuance of share capital, net of cash share issuance costs	1,133,126	50,000
Net cash from financing activities	2,261,442	11,756,895
Net change in cash	(1,213,679)	648,590
Cash at beginning of period	2,304,416	1,690,815
Effect of exchange rate	(93,169)	(34,989)
Cash at end of period	997,568	2,304,416
Supplemental cashflow information		
Equipment acquired with digital currencies	651,675	-
Equipment acquired with shares	654,950	-
Recognition of ROU Asset/Lease liabilities	2,636,906	-
Short term loan in digital currencies (Note 21)	255,508	-
Short term loan repaid in digital currencies (Note 21)	260,447	-
Share issue cost paid with shares	21,074	-
Supplemental disclosures		
Interest paid	185,332	-
Income tax paid	-	-

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

1. Nature of Operations and Going Concern

Nature of Operations
Arctic Blockchain Limited ("Arctic") was incorporated on December 4, 2017 under the provisions of the Company Act (British Columbia). On February 28, 2018, Arctic completed a share purchase agreement with Hydro66 UK Limited whereby Arctic acquired Hydro66 UK Limited 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. Arctic subsequently completed an amalgamation with Caza Gold Corp ("Caza"), and the amalgamated entity (the "Company") became a reporting issuer on the Canadian Securities Exchange ("CSE") as Hydro66 Holdings Corp. under the trading symbol "SIX".

The Company's head office is located at 15 Percy Street, London, W1T 1DS, United Kingdom and its registered office is located at 736 Granville St., Suite 1100, Vancouver, BC V6Z 1G3, Canada.

Going concern

The Company's principal activity is the provision of cloud colocation services, specialised in High Performance Computing, Storage, and information processing. During the year ended December 31, 2019 the Company focussed its efforts on filling its capacity. During the period the Company incurred a net loss of $5,273,358 (year ended December 31, 2018: net loss $6,335,821). The loss in the period reflects the fixed costs of the full facility, which was expanded in 2018, as well as the investment in growing the Swedish operation to grow the sales of the Company's products. Until the Company reaches a sustainable level of operations, it will continue to rely on financial support from additional funding to enable it to continue its activities and to meet its liabilities as they fall due.

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. The Company's current business plan indicates that additional funding or income will be required within the next 12 months. The funding will be necessary to allow the business to continue to trade beyond this point. The directors have considered the business plan and potential sources of funding and have a plan in place to secure equity or other funding such that they expect to obtain sufficient funding in the coming months to enable the Company to continue as a going concern. The directors acknowledge that there can be no certainty over achieving the projected revenue and managing the cost base as forecasted, as well as the timing and the quantum of future fund raisings and that this represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

If additional finance were not available, the going concern basis would not be appropriate, and adjustments would be required to reduce the carrying value of non-current assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities. These consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to December 31, 2019.

2. Basis of Preparation

Statement of Compliance
These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Basis of Measurement
The Company's consolidated financial statements have been prepared on the historical cost basis.

Consolidation
In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

(Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Details of the Group
As at December 31, 2019 the Company had five wholly-owned subsidiaries: Hydro66 Canada Limited, a company incorporated under the jurisdiction of British Columbia (Canada), Hydro66 UK Limited, a company incorporated under the jurisdiction of England and Wales on May 7, 2014; Megamining Limited, a company incorporated under the jurisdiction of

England and Wales on January 17, 2014; Hydro66 Svenska AB, a company incorporated under the jurisdiction of Sweden on April 25, 2014 and Hydro66 Services AB, a company incorporated under the jurisdiction of Sweden on May 4, 2015.

3. New or revised Standards or Interpretations

Adoption of New Accounting Standards IFRS 16

The Company adopted IFRS 16 – Leases ("IFRS 16") effective January 1, 2019. In January 2016, the IASB issued IFRS 16, Leases, which replaced IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has applied this standard on a modified retrospective basis, where the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings and comparative balances are not restated. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether a lease exists. The Company elected to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company also accounts for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

Reconciliation operating lease obligations to lease obligations in accordance with IFRS 16:

	$
Operating lease obligations at 31 December 2018	4,288,619
Adjustment for service agreements	(1,195,838)
Short term lease agreements and agreements of low value	-
Effects of optional periods	155,612
Financial lease agreements at 31 December 2018	-
Discounting of lease agreements	(611,486)
Lease obligation at 1 January 2019	(2,636,907)

Initial effects on "Consolidated statement of financial position":

Right-of-use assets	2,636,907
Total assets	2,636,907
Long-term lease liabilities	2,132,934
Current portion of lease liabilities	503,973
Total lease liabilities	2,636,907

Accounting Standards and Interpretation Issued but Not Yet Effective

No new standards not yet effective have been identified that can have a significant impact on the Company's consolidated financial statements for 2020 and forward.

4. Summary of Significant Accounting Policies

Revenue
Revenue arises from the sale of data center services, including space and power; and from the provision of computing power for computationally intensive workloads (High Performance Compute) which may include such services as 3D model rendering and transaction verification services for digital currency pools. 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.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position as deferred income. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes a receivable in its statement of financial position. All customers who contract for services in the facility are invoiced in advance. This results in deferred income being recognized.

Data Center Services
The Company recognizes revenue from the provision of data center services (sometimes referred to as colocation). The Company enters into agreements with customers who require space, power and/or computational services the Company's data center. A price for the service is determined at the point of contract. The customers physically locate servers in the Company's data center or utilise servers provided by the Company. Customer servers are housed in racks and connected to a power supply. Revenue represents amounts invoiced for the provision of data center services, including space and power. Revenue is recognized when power and space is made available to the customer.

Transaction Verification Services within Digital Currency Networks
The Company also recognizes revenue from the provision of transaction verification services within digital currency networks. The Group enters into agreements with digital currency pools to provide information processing and high-performance compute capacity. As consideration for these services, the Company receives digital currency from each specific network in which it participates. Management consider it appropriate to recognize revenue when a digital currency coin is received from the pool as that is the point that the economic benefit transfers to the Company and can be converted to traditional (fiat) currencies.

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. 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.

Property, plant and equipment
Property, plant and equipment are stated at cost at acquisition less accumulated depreciation. Cost includes 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

Land and assets under construction are not depreciated.

4. Summary of Significant Accounting Policies (continued)

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 recognized within the consolidated income statement.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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.

Convertible debentures
To determine if a convertible debenture is a financial liability or an equity instrument (or a mix thereof), the company uses two key principles in accordance with IAS 32. These are:

- Does the issuer have a contractual obligation to deliver cash or another financial asset that it cannot avoid?
- Is the convertible debenture meeting of the "fixed for fixed" criteria?

If the issuer does not have an unconditional right to avoid delivering cash or another financial asset to settle the convertible debenture, this obligation meets the definition of a financial liability. An equity instrument can only be part of a convertible debenture if it can be settled by an issuer delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash.

4. Summary of Significant Accounting Policies (continued)

Taxation
Income 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 tax 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 plan arrangements
The Company operates a defined contribution pension plans for the benefit of employees. The amount charged to the profit and loss account is the contribution payable by the Company in the period. 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.

Share Based Payment
The Company operates a stock option plan (Note 16). Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of 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 corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based compensation is transferred to deficit.

Warrants
The Company has warrants in issue as described in Note 16. The warrants were assessed to be equity and they have no assigned value.

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 Company's entities' functional currencies are the Canadian Dollar, Swedish Krona and Pounds Sterling. The consolidated financial statements are presented in Canadian dollars which is the Company's presentation currency.

4. Summary of Significant Accounting Policies (continued)

(i) Hydro66 Holdings Corp and Hydro66 Canada Limited
Hydro66 Holdings Corp and Hydro66 Canada Limited have the Canadian Dollar as the functional currency.

(ii) Hydro66 Svenska AB and Hydro66 Services AB
Hydro66 Svenska AB and Hydro66 Services AB have the Swedish Krona (SEK) as the functional currency. Assets and liabilities of these entities are therefore translated into Canadian dollars using the report date closing exchange rate. Income and expenses are translated into Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive loss and recognized in the foreign currency translation reserve.

(iii) Hydro66 UK Limited and Megamining Limited
The financial statements of Hydro66 UK Limited and Megamining Limited have Pounds Sterling (GBP) as the functional currency. Assets and liabilities of these entities are therefore translated into Canadian dollars using the report date closing exchange rate. Income and expenses are translated into Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive loss and recognized in the foreign currency translation reserve.

(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 currencies are recognised in the income statement.

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
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due. Refer to Note 16 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

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 profit and loss at the point of sale. Digital currency is not amortised as the company has determined 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.

At each reporting date, the Company reviews the carrying amounts of its intangible 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 recognized in profit and loss.

4. Summary of Significant Accounting Policies (continued)

Segment reporting
IFRS 8 *Operating Segments* requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Board (Chief Operating Decision Maker – CODM). In identifying its operating segments, management follow the Group reporting structure and consider there to be two reporting segments, being the provision of data centre services and digital currency transaction verification. Refer to Note 19.

Financial Instruments
Recognition and derecognition:
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets:
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at the fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortized cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

In the periods presented the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for the impairment of trade receivables which is presented within other expenses.

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.

Classification and measurement of financial liabilities:
As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS39, the Group's financial liabilities have not been impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measure at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

5. Sources of Estimation and Key Judgements

Estimates

The key sources of estimation at the reporting date are discussed below:

a) Share-based payments
The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers and employees. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the expected volatility of the stock price, the risk-free interest rate, dividend yield, the expected life of the stock options and the number of options expected to vest. Any changes in these assumptions could change the amount of share-based compensation recognized. Significant assumptions related to share-based payments are disclosed in Note 16.

b) Recoverable amount of property, plant and equipment
The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as, demand for colocation, required computing power, technological changes and operating costs, such as electricity.

These estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

c) Taxation
The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

Judgements

Key judgements at the reporting date are discussed below:

a) Functional currency
The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically, the Company considers the currencies in which digital currencies are most commonly denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

b) Digital currencies - accounting
The Company has assessed that it acts as a data service provider and that payments received in digital currencies for these types of services should be classified in accordance to IAS 38 as indefinite-lived intangible assets. The judgement is based on that the received compensation do not meet the criteria for any other asset class under IFRS and the indefinite lived classification is based on that there is no foreseeable limit on the period of time over which the asset is expected to contribute to the cash flows of the company.

c) Contingencies
Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. Such contingencies include, but are not limited to, litigation, regulatory proceedings, tax matters and losses resulting from other events and developments. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement regarding the outcome of future events.

(Expressed in Canadian Dollars)

6. Corporate Reorganization

No corporate reorganization has occurred during 2019. For historic corporate reorganization during 2018 see below:

Hydro66 UK Limited and the shareholders of Hydro66 UK Limited entered into a share purchase agreement, dated February 15, 2018 pursuant to which Arctic Blockchain Limited ("Arctic") issued 100,000,000 common shares to the Hydro66 UK Limited shareholders to acquire (the "Acquisition") all of the issued and outstanding common shares of Hydro66 UK Limited. The Acquisition was completed on February 28, 2018. The primary reason for the corporate reorganization was to secure funding to further build out the existing site.

The Acquisition resulted in the former shareholders of Hydro66 UK Limited holding the majority interest in Arctic. The Acquisition is not considered to be a business combination for accounting purposes as Arctic is not considered to be a business for accounting purposes. The Acquisition has been accounted for in the consolidated financial statements as the continuation of the financial statements of Hydro66 UK Limited together with an issuance of common shares, equivalent to the common shares held by the former shareholders of Arctic, and a recapitalization of the equity of Hydro66 UK Limited. In accounting for this transaction:

(i) Hydro66 UK Limited was deemed to be the parent company for accounting purposes. Accordingly, its net assets were included in the Consolidated Statement of Financial Position at their historical book value; and

(ii) control of the net assets of Arctic was acquired on the Effective Date being February 28, 2018.
For comparative purposes, the consolidated financial statements continuity presented herein is that of Hydro66 UK Limited.
The table below shows the net assets of Arctic which were effectively acquired by Hydro66 UK Limited on February 28, 2018.

	$
ASSETS	
Cash	35,503
GST receivable	41,758
Trade and other receivables	704,024
Advance to Hydro66 UK Limited	9,000,000
Total current assets	9,781,285
TOTAL ASSETS	9,781,285
Accounts payable and accrued liabilities	11,492
TOTAL LIABILITIES	11,492
SHAREHOLDERS' EQUITY	
Share capital	50,000
Debenture subscriptions	10,000,000
Deficit	(280,207)
TOTAL SHAREHOLDERS' EQUITY	9,769,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,781,285

Following the reverse acquisition described above whereby Arctic had acquired 100% of the share capital of Hydro66 UK Limited where Hydro66 was the deemed acquirer, on March 12, 2018, Arctic entered into a letter of intent with Caza Gold Corp. ('Caza") providing for the amalgamation of Caza, Arctic and 1166031 B.C. Ltd ("Subco") to form the Company. On June 6, 2018, Caza and Arctic entered into a business combination agreement whereby Arctic and Subco would complete an amalgamation pursuant to an 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 Amalgamation was completed on June 8, 2018 and on June 13, 2018 Hydro66 Holdings Corp listed on the Canadian Securities Exchange (CSE:SIX). Prior to the Amalgamation, the common shares of Caza were consolidated on a 76.3945 to 1 basis, following which there were 2,000,000 common shares issued and outstanding immediately prior to the Amalgamation.

(Expressed in Canadian Dollars)

6. Corporate Reorganization (continued)

The Acquisition resulted in the former shareholders of Arctic holding the majority interest in Caza. The Acquisition is not considered to be a business combination for accounting purposes as Caza is not considered to be a business for accounting purposes. The Acquisition has been accounted for in the consolidated financial statements as the continuation of the financial statements of Arctic together with an issuance of common shares, equivalent to the common shares held by the former shareholders of Caza. In accounting for this transaction:

(i) Arctic was deemed to be the parent company for accounting purposes. Accordingly, its net assets were included in the Consolidated Statement of Financial Position at their historical book value; and

(ii) control of the net assets of Caza was acquired on the Effective Date.

For comparative purposes, the consolidated financial statements continuity presented herein is that of Arctic.

The Consolidated Statement of Financial Position gives effect to the following assumptions and adjustments:

(a) Arctic is the deemed acquirer, and issued 2,000,000 common shares to acquire 100% of the issued and outstanding common shares of Caza.
(b) Share capital, contributed surplus and the deficit of Caza are eliminated.

The fair value of the consideration is as follows:

Issuance of 2,000,000 common shares to the former shareholders of Caza at $0.75 per share	$1,500,000
The allocation of the consideration is as follows:	
Trade and other receivables	($3,699)
Trade and other payables	$30,895
Listing costs expensed	$1,472,804
Value attributed to shares issued	$1,500,000

Pursuant to the terms of the Amalgamation Agreement, each former shareholder of Arctic received one (1) post-consolidation common share of Caza for every one (1) Arctic common share held by such shareholder. Arctic had 105,000,000 shares outstanding prior to the completion of the Amalgamation. Immediately prior to listing on the CSE an additional 20,000,000 Caza common 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, were issued. The 25,000,000 warrants in Arctic with an exercise price of $0.75 which were issued to Hydro66 UK Limited shareholders as part of the Corporate Reorganization outlined in Note 6, were converted to warrants in Hydro66 Holdings Corp.

Total acquisition and listing expenses reported are as follows:

Consideration for deemed acquisition of Caza Gold Corp	$1,472,804
Legal and professional fees	$488,121
Total	$1,960,925

7. Pension Plan

The Company operates a contribution plan for which the pension cost charges for the year amounted to $57,783 (2018: $14,633). As at December 31, 2019, $2,114 has been included in the trade and other payables for contributions (2018: $4,887) to be paid over.

(Expressed in Canadian Dollars)

8. Amounts Receivable and Prepaids

	Dec 31, 2019	Dec 31, 2018
	$	$
Trade receivables, gross	125,773	479,241
Allowance for credit losses	(31,043)	(113,849)
Trade receivables, net	94,730	365,392
Prepayments and other debtors	144,184	188,664
VAT/GST receivable	479,108	890,195
Provision GST receivable	(100,994)	-
Energy tax rebate	146,794	587,525
Employee loans	248,120	238,826
Total current trade and other receivables	1,011,942	2,270,602

The company has chosen to make a provision for the GST receivable due to the uncertainty surrounding its ability to recover GST. The cost for the provision is included within other operating expenses in the Consolidated Statement of Loss.

9. Property, Plant and Equipment

	Land & Buildings	**Plant & Machinery**	**Office Equipment**	**Assets under Construction**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
At December 31, 2018	6,520,600	11,389,226	62,703	390,824	18,363,353
Additions	-	1,540,838	68	-	1,540,906
Reclassifications	357,479	-	-	(357,479)	-
Effect of foreign exchange	(625,447)	(1,102,456)	(489)	(33,345)	(1,761,737)
At December 31, 2019	6,252,632	11,827,608	62,282	0	18,142,522
Accumulated Depreciation					
At December 31, 2018	220,992	2,178,429	60,618	-	2,460,039
Depreciation for period	124,784	1,400,481	2,034	-	1,527,299
Effect of foreign exchange	(22,429)	(222,953)	(439)	-	(245,821)
At December 31, 2019	323,347	3,355,957	62,213	-	3,741,517
Net book value					
At December 31, 2019	**5,929,285**	**8,471,651**	**69**	**-**	**14,401,005**
At December 31, 2018	6,299,608	9,210,796	2,086	390,824	15,903,314

(Expressed in Canadian Dollars)

9. Property, Plant and Equipment (continued)

	Land & Buildings	Plant & Machinery	Office Equipment	Assets under Construction	Total
	$	$	$	$	$
Cost					
At December 31, 2017	4,617,005	4,789,416	61,260	-	9,467,681
Additions	1,848,235	6,397,020	-	378,541	8,623,796
Effect of foreign exchange	55,360	202,790	1,443	12,283	271,876
At December 31, 2018	6,520,600	11,389,226	62,703	390,824	18,363,353
Accumulated Depreciation					
At December 31, 2017	126,537	1,112,118	57,342	-	1,295,997
Depreciation for period	91,609	1,033,875	1,913	-	1,127,397
Effect of foreign exchange	2,846	32,437	1,362	-	36,645
At December 31, 2018	220,992	2,178,430	60,617	-	2,460,039
Net book value					
At December 31, 2018	**6,299,608**	**9,210,796**	**2,086**	**390,824**	**15,903,314**
At December 31, 2017	4,490,468	3,677,298	3,918	-	8,171,684

A local government grant of 3,681,269 SEK was granted to Hydro66 Svenska AB in 2016. There are no unfulfilled conditions attaching to the grant. However, if the company closes the business and leaves the site within five years of the date of the grant, the grant needs to be repaid on a sliding scale. If the company were to leave the site between April 30, 2019 and April 14 2020, 25% would be repayable. On April 15, 2020 this falls to 10% and on April 15, 2021, the five year period ends and none of the grant becomes repayable.

10. Right-of-use assets

	Leased equipment	Office premises	Total
	$	$	$
Cost			
At December 31, 2018	-	-	-
IFRS 16 adoption	2,526,282	110,625	2,636,907
Additions	-	-	-
Effect of foreign exchange	(229,310)	(5,546)	(234,856)
At December 31, 2019	2,296,972	105,079	2,402,051
Accumulated Depreciation			
At December 31, 2018	-	-	-
IFRS 16 adoption	-	-	-
Depreciation for period	395,764	70,309	466,073
Effect of foreign exchange	(3,142)	(554)	(3,696)
At December 31, 2019	392,622	69,755	462,377
Net book value			
At December 31, 2019	**1,904,350**	**35,324**	**1,939,674**
At December 31, 2018	-	-	-

(Expressed in Canadian Dollars)

10. Right-of-use assets (continued)

The company recognizes right-of-use assets and corresponding lease liabilities (Note 13) related to office premises and electricity transformers for the company data hall in Boden, Sweden. The right-to-use assets is depreciated on a straight-line basis over the remaining contract periods as of IFRS 16 adoption at January 1 2019:

Office premises	13-29 months
Electricity transformations	39-76 months

For more details about leases, see Note 4, Summary of Significant Accounting Policies.

11. Digital currencies

	$
Cost	
As at December 31, 2017	286,898
Additions	572,628
Disposals	(524,134)
Effect of foreign exchange	7,390
At December 31, 2018	342,782
Additions	2,616,018
Disposals	(2,760,863)
Effect of foreign exchange	(29,997)
At December 31, 2019	167,940
Impairment	
At December 31, 2018	218,944
Disposals	(76,347)
Additional impairment	29,213
Effect of foreign exchange	(20,347)
At December 31, 2019	151,463
Carrying value after impairment	
At December 31, 2019	**16,477**
At December 31, 2018	123,838

Management carried out an impairment review at December 31, 2019 of the digital currencies held. Management took the decision to impair the digital currencies to their spot rate on December 31, 2019 as recorded on the trading exchanges, to accurately reflect the value of the digital currencies held.

12. Accounts Payable and Accrued Liabilities

	Dec 31, 2019 $	Dec 31, 2018 $
Trade payables	688,461	1,432,005
Other payables	253,051	284,065
Accrued expenses	771,751	1,201,169
Deferred income	19,430	336,473
Total trade and other payables	1,732,693	3,253,712

(Expressed in Canadian Dollars)

13. Lease liabilities

	Dec 31, 2019 $
Balance, December 31, 2018	-
IFRS16 adoption	2,636,907
Additions	-
Interest	172,301
Payments	(562,119)
Effect on foreign exchange	(234,857)
Balance, Dec 31, 2019	2,012,232
Current portion of lease liabilities	(416,882)
Long-term portion of lease liabilities	1,595,350

The lease liability contracts bear interest at rate of up to 5% per annum, are repayable in monthly instalments of principal and interest, are secured by capital assets, and mature up to June 2025.

For more detailed information about the leases, see Note 4 Summary of Significant Accounting Policies and Note 10 right-of-use assets.

14. Convertible Debenture

	Dec 31, 2019 $	Dec 31, 2018 $
Loans payable	3,651,991	1,706,895
Total loans payable	3,651,991	1,706,895

In December 2018 the Company closed on a debt financing of which the initial advance was paid in December 2018, a second advance was paid in April 2019 and a third advance was paid in November 2019. The initial advance was made up of United States Dollars $1,050,000 and Canadian Dollars $300,000. The second advance was made up of United States Dollars $525,000 and Canadian Dollars $150,000. The third advance was made up of United States Dollars $525,000 and Canadian Dollars $150,000. The maximum amount that can be drawn from the convertible debenture is now reached. The average rate used to translate the advances of USD was 1.3343 Canadian Dollars to each US Dollar. The loan has term of 7 years from the date of the initial advance of the loan. The loan bears interest at a rate per annum equal to 10%. The interest is calculated annually, not in advance, but before or after default and is payable on each and every anniversary of the advance. The interest for the initial two years of the loan shall not be payable until such time as the loan is repaid in full and is therefore classified as long-term in the statement of financial position. As at December 31, 2019, the interest accrued on the convertible debenture was $249,898. As at December 31, 2018, the interest accrued on the convertible debenture was $4,652.

The amount of the loan, at the option of each Lender, will be convertible into common shares in the capital of the Borrower at the market price at time of such conversion in accordance with the policies of and subject to acceptance by the Canadian Securities Exchange. The value of the embedded derivative is considered to be $nil as the number of shares will be issued to equate to the amount of the original loan and so there is no upside or downside to the option for either party.

The Company has issued promissory loan notes with an embedded derivative.

i) The Company and the holder have a conversion option. The value of the embedded derivative is considered to be $nil as the number of shares will be issued to equate to the amount of the original loan so there is no upside or downside to either party.

ii) The Company has a prepayment option. The value of the embedded derivative will depend on how significant the transaction costs incurred were on the issue of the loan notes. The transaction costs were nil and so this embedded derivative has no value.

(Expressed in Canadian Dollars)

15. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	**Short-term borrowings**	**Total**
January 1, 2019	1,706,895	-	1,706,895
Cash-flows:			
- Repayment	-	-	-
- Proceeds	1,695,198	-	1,695,198
Non-cash:			
- Accrued interest	249,898	-	249,898
- Conversion to share capital	-	-	-
December 31, 2019	**3,651,991**	**-**	**3,651,991**

	Long-term borrowings	**Short-term borrowings**	**Total**
January 1, 2018	-	71,839	71,839
Cash-flows:			
- Repayment	-	(71,839)	(71,839)
- Proceeds	11,706,895	-	11,706,895
Non-cash:			
- Conversion to share capital	(10,000,000)	-	(10,000,000)
December 31, 2018	**1,706,895**	**-**	**1,706,895**

16. Equity

Below is a description of the nature and purpose of each reserve within equity.

Share option reserve	Reserve for share-based payments on options granted during the period not yet exercised.
FX reserve	Foreign exchange translation gains and losses arising on the translation of the Financial Statements from the functional to the presentational currency, including translation gains and losses arising on the translation of net investments in foreign subsidiaries.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Other reserve	Reserve to reflect the difference between the share capital of the legal parent (Hydro66 Holdings Corp, formerly Caza Gold Corp) and the share capital of the legal subsidiary (Hydro66 UK Limited).

(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. All of the common shares 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.

There are 130,649,950 shares in issue, all fully paid as at December 31, 2019.

(b) *Reconciliation of changes in share capital*

On 12th July 2019, Hydro66 Holdings Corp completed a non.brokered private placement of 3,649,950 units, at $0,50 per unit, for gross proceeds of $1,824,975. Each unit consists 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 $0,75 per share until 12th July 2021. An additional 73,800 finder warrants were issued to EMD financial INC at the closing of the private placement. Each finder warrant entitles the holder to purchase one additional common share in Hydro66 Holdings Corp at an exercise price of $0,75 until 12th July 2021.

(Expressed in Canadian Dollars)

16. Equity (continued)

On February 23, 2018 Arctic 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.

The Company issued 100,000,000 common shares for the Acquisition as described in note 6.

The Company issued 20,000,000 common shares for the conversion of the debenture as described in note 6.

The Company issued 2,000,000 shares to the former shareholders of Caza as described in note 6.

(c) Stock options

The Company has established a rolling Stock Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant less an applicable discount. The options can be granted for a maximum of five years and vesting periods are determined by the Board.

Following is a summary of changes in stock options outstanding for the period ended December 31, 2019.

	Outstanding	Weighted average exercise price $
Balance, December 31, 2018	8,275,000	0.50
Granted	4,800,000	0.29
Cancelled	(2,450,000)	0.50
Exercised	-	-
Balance, December 31, 2019	10,625,000	0.40

Following is a summary of changes in stock options outstanding for the year ended December 31, 2018.

	Outstanding	Weighted average exercise price $
Balance, December 31, 2017	-	-
Granted	8,275,000	0.50
Cancelled	-	0.50
Exercised	-	0.50
Balance, December 31, 2018	8,275,000	0.50

Of the 4,800,000 options granted during the period ended December 31, 2019, 4,600,000 options were granted to employees and 200,000 were granted to consultants.

Of the 8,275,000 options granted during the year ended December 31, 2018, 7,250,000 options were granted to directors and officers, 875,000 were granted to consultants and 150,000 granted for investor relations services.

The stock options outstanding and exercisable as at December 31, 2019 are as follows:

Outstanding	Exercisable	Exercise Price	Expiry date
5,600,000	3,733,333	0.50	April 30, 2021
225,000	150,000	0.50	June 12, 2021
600,000	200,000	0.38	January 9, 2022
600,000	200,000	0.45	May 15, 2022
400,000	133,333	0.50	June 13, 2022
3,200,000	1,066,667	0.21	November 18, 2022
10,625,000	5,483,333		

(Expressed in Canadian Dollars)

16. Equity (continued)

Share-based compensation

During the period ended December 31, 2019 the Company:

- granted 600,000 stock options with an exercise price per share of $0.38 and an expiry date of January 9, 2022. One-third of these options granted in the period vested immediately, with a further third due to vest on January 9, 2020 and the final third on January 9, 2021.
- granted 600,000 stock options with an exercise price per share of $0.45 and an expiry date of May 15, 2022. One-third or these options granted in the period vested immediately, with a further third due to vest on May 15, 2020 and the final on May 15, 2021.
- granted 400,000 stock options with an exercise price per share of $0.50 and an expiry date of June 13, 2022. One-third of these options granted in the period vested immediately, with a further third due to vest on June 13, 2020 and the final on June 13, 2021.
- Granted 3,200,000 stock options with an exercise price per share of $0,21 and an expiry date of November 18, 2022. One-third of these options granted in the period vested immediately, with a further third due to vest on November 18, 2020 and the final on November 18, 2021.
- Cancelled 2,450,000 stock options with an exercise price per share of $0.50 and an expiry date of April 30, 2021 due to employees leaving the company.
- recognized stock-based compensation of $431,404.

During the year ended December 31, 2018 the Company:

- granted 8,050,000 stock options with an exercise price per share of $0.50 and an expiry date of April 30, 2021. One-third of these options granted in the period vested immediately, with a further third due to vest on April 30, 2019 and the final third on April 30, 2020.
- granted a further 225,000 stock options with an exercise price per share of $0.50 and an expiry date of June 12, 2021. One-third of these options granted in the period vested immediately, with a further third due to vest on June 12, 2019 and the final third on June 12, 2020.
- recognized stock-based compensation of $1,342,389.

The fair value of share options is calculated using the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

The following weighted average assumptions were used for the valuation of the stock options:

	Dec 31, 2019	Dec 31, 2018
Risk-free interest rate	2.00%	2.00%
Expected life (years)	2.0	1.3
Annualised volatility	42.00%	42.00%
Dividend rate	0.00%	0.00%

The expected life assumes that all options will be exercised at the point that they have all vested. Options granted during 2019 have an expected life of 2 years.

Due to the short trading history of Hydro66 Holdings Corp which listed on the Canadian Securities Exchange on June 13, 2018, it was not possible to base expected volatility on historic volatility. The annualised volatility was determined by analysing the three year volatility of seven companies within the same sector.

The dividend rate of 0.00% assumes that no dividends will be paid during the expected life of the options due to expected trading performance.

(Expressed in Canadian Dollars)

16. Equity (continued)

(d) Warrants

Following is a summary of changes in warrants outstanding for the period ended December 31, 2019:

	Warrants outstanding	Weighted average exercise price $
Balance, December 31, 2018	50,096,000	0.72
Issued	3,723,750	0.75
Expired	(5,000,000)	0.50
Exercised	-	-
Balance, December 31, 2019	48,819,750	0.75

Following is a summary of changes in warrants outstanding for the year ended December 31, 2018:

	Warrants outstanding	Weighted average exercise price $
Balance, December 31, 2017	-	
Issued	50,096,000	0.72
Exercised	-	
Balance, December 31, 2018	50,096,000	0.72

The warrants outstanding and exercisable as at December 31, 2019, are as follows:

Outstanding	Exercise price $	Expiry date
96,000	0.50	June 8, 2020
20,000,000	0.75	June 8, 2020
25,000,000	0.75	June 8, 2020
3,723,750	0.75	July 12, 2021
48,819,750		

During the year ended December 31, 2019 the Company:

- had 5,000,000 warrants outstanding expire on the date of June 8, 2019. No warrants were exercised during the year.
- granted 3,723,750 new warrants including 73,800 finders warrants. The warrants were granted in a non-brokered private placement on July 12th 2019. Each warrant entitles the holder to purchase one additional common share in Hydro66 Holdings Corp at an exercise price of CAD$ 0.75 until 12th July 2021.

During the year ended December 31, 2018 the Company:

- 5,000,000 warrants in Arctic with an exercise price of $0.50 were issued as part of a private placement. These were converted to warrants in Hydro66 Holdings Corp as part of the transaction outlined in note 6.
- 96,000 warrants in Arctic with an exercise price of $0.50 were issued as part of a private placement. These were converted to warrants in Hydro66 Holdings Corp as part of the transaction outlined in note 6. Each unit entitles the holder thereof to acquire, for a period of two years from June 8, 2018, one common share and one common share purchase warrant (a “broker unit warrant”), with each broker unit warrant entitling the holder thereof to acquire, for a period of two years from June 8, 2018, a common share in the capital of the Company at a price of $0.75.
- 20,000,000 warrants with an exercise price of $0.75 were issued in connection with the automatic conversion of the convertible debentures in the principal amount of $10,000,000. Refer to note 6.
- 25,000,000 warrants in Arctic with an exercise price of $0.75 were issued to Hydro66 UK Limited shareholders. These were converted to warrants in Hydro66 Holdings Corp as part of the transaction outlined in note 6.

17. Loss per share

Loss per common share represents net loss for the year divided by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing the application net loss by the number of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

When potential common shares are antidilutive and would decrease a loss per share from continuing operations the calculation of diluted earnings per share does not assume conversion, exercise, or other issue of common shares that would have an antidilutive effect on earnings per share.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Amounts in thousand shares:	2019	2018
Weighted average number of shares used in basic earnings per share	128,825	106,167
Shares deemed to be issued for no consideration in respect of share based payments	-	-
Weighted average number of shares used in diluted earnings per share	128,825	106,167

18. Financial Instruments and Risk Management

General Objectives, Policies and Processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The Board reviews its monthly reports through which it assesses the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors.

i) Categories of financial assets and liabilities

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

-- Trade receivables
-- Cash and cash equivalents
-- Trade and other payables
-- Borrowings and convertible loan notes

Trade and other receivables are initially measured at the amount of consideration that is unconditional. The Group holds trade receivables with the objective of collecting the contractual cash flows so is subsequently measured at amortized cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated Statement of Comprehensive Income in the relevant period.

Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value.

18. Financial Instruments and Risk Management (continued)

The Group holds the following financial instruments:

Financial assets	Dec 31, 2019 $	Dec 31, 2018 $
Cash and cash equivalents	997,568	2,304,416
Trade receivables due at reporting date	94,730	365,392
Other receivables	917,212	-
Total	2,009,510	2,669,808

Trade receivables principally comprise amounts outstanding for sales to customers and are net of expected credit loss. Trade receivables that are due at the reporting date have been reviewed and impaired when the collectability is considered unlikely.

Financial liabilities	Dec 31, 2019 $	Dec 31, 2018 $
Trade payables	688,461	1,432,005
Other payables	272,481	-
Other accruals	771,751	1,201,169
Lease liabilities	2,012,232	-
Debt financing – loans payable	3,651,991	1,706,895
Total	7,396,916	4,340,069

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

As at December 31, 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

December 31, 2019	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Promissory loan notes	-	-	1,360,837	4,331,258
Lease liabilities	259,860	255,621	1,803,324	110,948
Trade and other payables	1,713,263	-	-	-
Total	1,973,123	255,621	3,164,161	4,442,206

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

December 31, 2018	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Promissory loan notes	-	-	685,492	2,649,829
Trade and other payables	2,917,239	-	-	-
Total	2,917,239	-	685,492	2,649,829

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Cash and cash equivalents
Cash and cash equivalents are held in Canadian Dollars ($), United States Dollars (USD), Swedish Krona (SEK) and Sterling (GBP) and placed on deposit in Canadian, Swedish and UK banks.

(Expressed in Canadian Dollars)

18. Financial Instruments and Risk Management (continued)

(ii) Risk exposures

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

The credit risk in respect of cash balances held with banks is remote as they are held only with major reputable financial institutions.

The Group is mainly exposed to credit risk from credit sales. At December 31, 2019 the Group had net trade receivables of $94,730 (Dec 31, 2018: $365,392).

The Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables, including certain trade receivables not yet due, were not considered recoverable and a provision of $31,043 (Dec 31, 2018: $113.849) has been recorded accordingly. The trade receivables considered irrecoverable relate to customers which are experiencing trading difficulties. In addition, some of the recoverable trade receivables are past due as at the reporting date.

The extent of the financial assets past due but not impaired is as follows:

Trade receivables days past due but not impaired:

Current	0-30 days	More than 30 days	More than 60 days	More than 90 days	Total
88,746	2,347	903	-	2,734	94,730

This compares to the previous reporting period (Dec 31, 2018) of:

Current	0-30 days	More than 30 days	More than 60 days	More than 90 days	Total
302,098	41,223	11,063	11,008	-	365,392

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Impairment losses on trade receivables are presented as net impairment losses within other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customer with agreed credit terms. The Group also mitigates the credit risk by requesting payment in advance.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Group manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations.

Short-term liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days.

Longer-term liquidity risk is the ability of the Group to continue as a going concern. This risk is managed by the preparation by the Directors of cash flow forecasts and the strict management of expenditure.

18. Financial Instruments and Risk Management (continued)

Market Risk

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

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars, US Dollars, Pounds Sterling and Swedish Krona. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At December 31, 2019 1 Canadian Dollar was equal to 0.7689 US Dollar, 0.5797 Pounds Sterling, 0.6850 Euro and 7.2046 Swedish Krona.

Balances are as follows:

	US Dollars	Pound Sterling	Euro	Swedish Krona	CAD equivalent
Cash	251,722	5,444	5,440	3,615,437	846,545
Accounts receivable and other debtors	-	189,877	-	4,929,600	1,011,747
Accounts payable and accrued liabilities	-	(88,652)	-	(10,030,125)	(1,545,097)
	251,722	106,669	5,440	(1,485,088)	313,195

Based on the net exposures as of December 31, 2019 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar, Pound Sterling and Swedish Krona would result in the Company's comprehensive loss on financial instruments being approximately $30,000 higher (or lower).

(c) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risks relate primarily to there being sufficient demand for colocation within the Data Centre and to the price of electricity which is the main cost driver on gross margin.

(d) Digital Assets Price Risk

Digital assets are measured by taking the rate from Coinmarketcap.com. Digital asset 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 digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the expansion of the Data Center and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. There has been no change to the Company's capital management strategy in the 2019 fiscal year, and the Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian Dollars)

19. Segmented Information

The Company's operations are centred on providing data centre services and information processing services. Management therefore considers there are two reporting segments for the Company.

The geographical split of revenue by customer location is as follows:

	Twelve months ended December 31,					
	2019	2019	2019	2018	2018	2018
	$	$	$	$	$	$
.	Data Center Services	Information Processing Services	Total	Data Center Services	Information Processing Services	Total
United Kingdom	43,957	-	43,957	14,039	-	14,039
Asia	-	526,228	526,228	-	-	-
USA & Canada	127,565	48,602	176,167	-	290,255	290,255
Rest of Europe	1,650,818	1,875,877	3,526,695	7,056,471	283,357	7,339,828
	1,822,340	2,450,707	4,273,047	7,070,510	573,612	7,644,122

Segment information for the reporting period is as follows:

For the year ended December 31, 2019	Data Center Services	Information Processing Services	Total
Revenue from external customers	1,822,340	2,450,707	4,273,047
Segment revenue	1,822,340	2,450,707	4,273,047
Direct costs	(1,125,465)	(1,513,540)	(2,639,005)
Employee benefits expense	(698,661)	(939,568)	(1,638,229)
Depreciation	(850,120)	(1,143,252)	(1,993,372)
Impairment of non-financial assets	-	(29,213)	(29,213)
Other expenses	(1,267,438)	(1,704,468)	(2,971,906)
Profit on disposal of digital currencies	-	322,556	322,556
Segment operating profit / (loss)	(2,131,802)	(2,544,320)	(4,676,122)
Segmented assets	15,029,271	1,327,885	16,357,156

For the year ended December 31, 2018	Data Center Services	Information Processing Services	Total
Revenue from external customers	7,070,510	573,612	7,644,122
Segment revenue	7,070,510	573,612	7,644,122
Direct costs	(5,369,992)	(435,654)	(5,805,646)
Employee benefits expense	(2,027,773)	(164,508)	(2,192,281)
Depreciation	(1,042,797)	(84,600)	(1,127,397)
Impairment of non-financial assets	-	(212,042)	(212,042)
Other expenses	(3,977,271)	(322,665)	(4,299,936)
Profit on disposal of digital currencies	-	1,590,555	1,590,555
Segment operating profit / (loss)	(5,347,323)	944,698	(4,402,625)
Segmented assets	14,467,826	1,173,737	15,641,563

- During the year revenue of $1,113,322 was recognized from a single Data Center Services external customer and revenue of $1,798,153 was recognized from a single Digital currency Services external customer.
- During 2018 revenue of $3,120,404 was recognized from a single Data Center Services external customer.

(Expressed in Canadian Dollars)

20. Commitments

20(a) Non-cancellable service agreements

Since the group now apply IFRS 16, we no longer include lease agreements in commitments. Lease agreements are accounted for as right-of-use assets and financial lease liabilities, see Note 10 and Note 13.

The group has a three-year contract with a supplier to provide security services. Commitments for minimum payments in relations to non-cancellable service agreement are payable as follows:

	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Within one year	469,385	532,900
Later than one year but not later than five years	156,462	710,534
Later than five years	-	-
	625,847	1,243,434

The Company has various commercial agreements with vendors. The Company does not have any contingencies as of December 31, 2019 (December 31, 2018: none).

20(b) Power purchase commitments

The company has committed to purchase 2 MW of power for 2019 and 2 MW of power for 2020 as follows:

Year	Commitment	Price SEK / MWh	Price CAD / MWh
2020	2 MW (17,568 MWh)	335.57	45,13

21. Related Party Transactions

The Group's related parties include key management and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

During the year ended December 31, 2019, Hydro66 UK Limited repaid a loan note to David Rowe of $nil (year ended December 31, 2018: $74,295).

During the year ended December 31, 2019, Croft Legal Services Ltd, of which Richard Croft is a Director, provided legal services to Megamining Ltd of $124,950 (year ended December 31, 2018: $222,886).

During the year ended December 31, 2019, Kurchakee Ltd, of which David Rowe is a Director, bought finance and legal services and office space of $ nil (2018: 38,012) from Megamining Ltd.

During the year ended December 31, 2019, Black Green Capital Ltd, of which David Rowe and Richard Croft are Directors, bought services from Megamining Ltd of $12,937 (2019: $12,959).

During the year ended December 31, 2019, Moiety AB, of which Anne Graf is a Director, provided consultancy services to Hydro66 Svenska AB of $nil (2018: $8,827).

During the year ended December 31, 2019, 0920 Media AB (brand name Meramedia), of which Anne Graf is a director, provided marketing services to Hydro66 Svenska AB of $6,734 (year ended December 31, 2018: $34,543).

(Expressed in Canadian Dollars)

21. Related Party Transactions (continued)

During the year ended December 31, 2019, Hydro66 Services AB, provided colocation services to B-chain e-services AB, of which Anne Graf was a director, of $nil (year ended December 31, 2018: $1,013,202). Anne Graf resigned as a director from B-chain e-services AB on June 21, 2018.

During the year ended December 31, 2019, the Group bought services from Chase Management Limited of which Nick DeMare is a director, for $19,100 (year ended December 31, 2018: $24,600). During 2018, 75,000 share options were also issued to Chase Management Limited with an associated in year cost of $12,167.

On 27th June 2019 Hydro66 Svenska AB borrowed 17.28 BTC from David Rowe. On 12th August 2019 Hydro66 Svenska AB repaid the loan of 17.28 BTC from David Rowe.

In November 2019, Hydro66 Holdings Corp raised funding via a convertible debenture. The directors and related parties participated in the funding as follows:

Name of related party	Nature of related party to Hydro66 Holdings Corp	Participation in Hydro66 Holdings Corp convertible debenture
David Rowe	Director	USD 300,000
Robert Keith	Owner	USD 225,000
Richard Patricio *through Totus Inc*	Director	$50,000

In July 2019, Hydro66 Holdings Corp exercised a private placement. The directors and related parties participated in the private placement as follows:

Name of related party	Nature of related party to Hydro66 Holdings Corp	Participation in Hydro66 Holdings Corp Private placement	Purchased units during private placement
David Rowe	Director	$659,100	1,318,200
Robert Keith	Owner	$294,615	589,320

As a part of the private placement in July 2019, David Rowe made an advance payment of USD 500,000 which was used to acquire computing equipment.

In March 2019, Hydro66 Holdings Corp raised funding via a convertible debenture. The directors and related parties participated in the funding as follows:

Name of related party	Nature of related party to Hydro66 Holdings Corp	Participation in Hydro66 Holdings Corp convertible debenture
David Rowe	Director	USD 300,000
Robert Keith	Owner	USD 225,000
Richard Patricio *through Totus Inc*	Director	$50,000

In December 2018, Hydro66 Holdings Corp raised funding via a convertible debenture. The directors and related parties participated in the funding as follows:

Name of related party	Nature of related party to Hydro66 Holdings Corp	Participation in Hydro66 Holdings Corp convertible debenture
David Rowe	Director	USD 600,000
Robert Keith	Owner	USD 450,000
Richard Patricio *through Totus Inc*	Director	$100,000

(Expressed in Canadian Dollars)

21. Related Party Transactions (continued)

In February 2018 Arctic raised funding via a convertible debenture. The directors and related parties participated in the funding as follows:

Name of related party	Nature of related party to Hydro66 Holdings Corp	Participation in Arctic Blockchain Limited convertible debenture
Michael Hudson *through Elmwood Partners Discretionary Trust*	Director	$400,000
Richard Patricio *through Totus Inc*	Director	$475,000
Nick DeMare	Company Secretary	$124,800

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. Key management personnel remuneration includes the following expenses:

	Year ended December 31, 2019 $	Year ended December 31, 2018 $
Short-term employee benefits:		
- Salaries including bonuses	560,887	651,887
- Social security costs	102,607	168,629
	663,494	820,516
Post-employment benefits:		
- Defined contribution pension plans	17,552	1,899
Share-based payments	296,883	600,222
Total remuneration	977,929	1,422,637

During 2018 the group allowed its employees to take up limited loans to cover personal income tax liabilities arising from the exercise of share options in Hydro66 UK Limited prior to the transaction between Arctic and Hydro66 UK Limited. 29,940 GBP of these employee loans was to key management personnel of which 10,000 GBP has been repaid during 2019.

22. Income Taxes

(a) A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision for the year ended December 31, 2019 and 2018 is provided as follows:

		2019		2018
Loss for the year	$	(6,891,293)	$	(6,646,053)
Canadian statutory tax rate		27.0%		27.0%
Income tax benefit computed at statutory rates		(1,860,649)		(1,794,434)
Foreign tax rates different from statutory rates		335,842		194,836
Items non-deductible for income tax purposes		214,194		929,561
True-up of prior year provision to statutory tax returns		(1,129,965)		-
Other reconciling items		-		95,615
Unused tax losses and tax offsets not recognized		2,440,578		574,422
	$	-	$	-

(b) The tax effected items that give rise to significant portions of the deferred income tax assets deferred income tax liabilities at December 31, 2019 and 2018 are presented below:

		2019		2018
Deferred tax assets				
Non-capital losses carried forward	$	-	$	14,119
Deferred tax liabilities				
Property, plant and equipment		-		(2,803)
Foreign exchange		-		(11,316)
	$	-	$	-

(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, 2019		2018
Non-capital losses	$	20,051,116	$	6,602,866
Property, plant and equipment		-		1,793,709
Capital losses		-		612,448
Share issuance costs		54,807		33,826
Unrecognized deductible temporary differences and unused tax losses	$	20,105,923	$	9,042,849

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

	Country of Origin					
		Canada		Sweden		United Kingdom
2027	$	1,015,458	$	-	$	-
2028		1,319,747		-		-
2029		992,892		-		-
2030		599,330		-		-
2031		217,213		-		-
2032		554,858		-		-
2033		439,963		-		-
2034		426,438		-		-
2035		34,753		-		-
2036		842,706		-		-
2037		292,271		-		-
2038		355,115		-		-
2039		318,590		-		-
No expiry date		-		8,312,681		4,329,101
Total	$	7,409,334	$	8,312,681	$	4,329,101

23. Subsequent Events

Convertible loan

On March 31, 2020, the company has entered into a secured convertible loan agreement with David Rowe, a significant shareholder and a director of the Company, and with Robert Keith, a significant shareholder of the Company. The maximum amount of the loan will be USD$1,000,000 in the aggregate, convertible at the market price of the common shares at the date of conversion, with the initial advance of USD$300,000 with exchange rate on March 27, 2020 for conversion of amounts advanced in USD to Canadian dollars. The remaining amounts of the Loan may be requested by the Company, if necessary, on or before December 31, 2021, in the same amounts as advanced by such lender under the Initial Advance. The Company will request that any amount advanced be made in Canadian dollars, however, the Company acknowledges that the lenders may make advances in either British Sterling or USD.

The Loan will be evidenced by second ranking secured convertible promissory notes in favour of the lenders for each advance under the Loan. The maturity date of the principal amount, interest and any fees of the Loan is seven (7) years from the date of the Initial Advance and the rate of interest is 10% per annum. The interest for the initial two (2) years of the Loan shall not be payable until such time as the Loan is repaid in full.