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**HYDRO66 HOLDINGS CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2020 AND 2019

*(Unaudited - Expressed in Canadian Dollars)*

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NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**HYDRO66 HOLDINGS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited - Expressed in Canadian Dollars)*

	Note	Sep 30, 2020 \$	Dec 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		621,159	997,568
Amounts receivable and prepaids	5	743,549	1,011,942
<b>Total current assets</b>		<u>1,364,708</u>	<u>2,009,510</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	14,805,324	14,401,005
Right-of-use assets	7	1,737,338	1,939,674
Digital currencies	8	29,992	16,477
<b>Total non-current assets</b>		<u>16,572,654</u>	<u>16,357,156</u>
<b>TOTAL ASSETS</b>		<u>17,937,362</u>	<u>18,366,666</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	2,403,965	1,732,693
Current portion of lease liabilities	10	336,457	416,882
<b>Total current liabilities</b>		<u>2,740,422</u>	<u>2,149,575</u>
<b>Non-current liabilities</b>			
Convertible debenture	11,12	5,315,528	3,651,991
Lease liabilities	10	1,435,696	1,595,350
<b>TOTAL LIABILITIES</b>		<u>9,491,646</u>	<u>7,396,916</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	34,890,714	34,890,714
Other reserves		(7,155,763)	(7,155,763)
Share option reserve		2,013,121	1,794,867
Foreign exchange reserve		(521,840)	(1,445,505)
Deficit		(20,780,516)	(17,114,563)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>8,445,716</u>	<u>10,969,750</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>17,937,362</u>	<u>18,366,666</u>

**Nature of Operations and Going Concern** – see Note 1

These condensed consolidated financial statements were approved for issue by the Board of Directors on November 30, 2020 and are signed on its behalf by:

David Rowe  
 Director “David Rowe”

Richard Croft  
 Director “Richard Croft”

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

**HYDRO66 HOLDINGS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three months ended Sep 30,		Nine months ended Sep 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Revenue</b>		<u>683,056</u>	<u>1,298,781</u>	<u>2,437,146</u>	<u>3,295,168</u>
<b>Cost of sales</b>					
Direct costs		476,441	741,661	1,287,832	2,020,188
Depreciation	3,6,7	<u>544,225</u>	<u>529,072</u>	<u>1,570,910</u>	<u>1,495,490</u>
		<u>1,020,666</u>	<u>1,270,733</u>	<u>2,858,742</u>	<u>3,515,678</u>
<b>Digital currency related items</b>					
Impairment on digital currencies		-	(50,467)	-	(50,467)
Disposal of digital currencies loss / (gain)		(2,651)	27,418	23,432	(251,439)
<b>Gross (loss) income for the period</b>		(334,959)	51,097	(445,028)	81,396
<b>Expenses</b>					
Accounting and administration		16,437	6,246	16,743	51,639
Audit		45,512	5,981	174,488	68,891
Bank charges		594	396	1,805	1,282
Bad debt expense		-	-	-	52,396
Legal and professional fees		198,026	359,777	711,907	768,176
Marketing and promotion		35,411	10,896	62,064	70,730
Management fees, salaries & wages		332,849	381,558	988,964	1,273,809
Office	3	24,277	23,256	60,841	54,951
Regulatory and filing		12,935	15,101	37,404	39,630
Share based compensation	13	25,091	220,519	218,254	296,508
Technical support and security costs		138,240	119,380	395,685	417,832
Travel		1,379	39,835	25,515	91,904
Other operating expenses		<u>32,610</u>	<u>71,518</u>	<u>196,489</u>	<u>126,578</u>
		<u>864,361</u>	<u>813,425</u>	<u>2,890,159</u>	<u>3,314,326</u>
<b>Loss before other items</b>		<u>(1,199,320)</u>	<u>(762,328)</u>	<u>(3,335,187)</u>	<u>(3,232,930)</u>
<b>Other items</b>					
Other income	3	(1,756)	-	(85,540)	(8,291)
Interest and other financial costs	3	149,034	102,311	407,842	255,602
Foreign exchange loss / (gain)		<u>4,271</u>	<u>(12,676)</u>	<u>8,464</u>	<u>5,846</u>
		(151,549)	(89,635)	(330,766)	(253,157)
<b>Net (loss) income before income tax</b>		(1,350,869)	(851,963)	(3,665,953)	(3,486,087)
Deferred tax		-	1,606	-	5,800
<b>Net (loss) income for the period</b>		(1,350,869)	(850,357)	(3,665,953)	(3,480,287)
Other comprehensive loss / (gain) for the period		286,272	(701,108)	923,665	(2,085,128)
<b>Comprehensive (loss) income for the period</b>		<u>(1,064,597)</u>	<u>(1,551,465)</u>	<u>(2,742,288)</u>	<u>(5,565,415)</u>
Loss per share – basic		\$(0.008)	\$(0.012)	\$(0.021)	\$(0.043)
<b>Weighted average number of common shares outstanding – basic</b>		<u>130,649,950</u>	<u>130,649,950</u>	<u>130,649,950</u>	<u>128,215,650</u>

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

**HYDRO66 HOLDINGS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
*(Unaudited - Expressed in Canadian Dollars)*

Nine months ended Sep 30, 2020

	Share capital	Share capital	Other reserve	Share option reserve	FX reserve	Deficit	Total Equity
	Number of shares	Amount \$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2019</b>	130,649,950	34,890,714	(7,155,763)	1,794,867	(1,445,505)	(17,114,563)	10,969,750
Share based compensation (note 13)	-	-	-	218,254	-	-	218,254
Net loss for the period	-	-	-	-	-	(3,665,953)	(3,665,953)
Translation adjustment	-	-	-	-	923,665	-	923,665
<b>Balance at Sep 30, 2020</b>	130,649,950	34,890,714	(7,155,763)	2,013,121	(521,840)	(20,780,516)	8,445,716

Nine months ended Sep 30, 2019

	Share capital	Share capital	Other reserve	Share option reserve	FX reserve	Deficit	Total Equity
	Number of shares	Amount \$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2018</b>	127,000,000	33,123,712	(7,155,763)	1,342,389	172,430	(11,841,205)	15,641,563
Adoption of IFRS16, Leases	-	-	-	-	-	(50,254)	(50,254)
Shares issued for proceeds	3,649,950	1,824,975	-	-	-	-	1,824,975
Share issuance cost	-	(57,974)	-	21,074	-	-	(36,900)
Share based compensation (note 12)	-	-	-	296,508	-	-	296,508
Net loss for the period	-	-	-	-	-	(3,480,287)	(3,480,287)
Foreign exchange movement	-	-	-	-	(2,085,128)	-	(2,085,128)
<b>Balance at Sep 30, 2019</b>	130,649,950	34,890,713	(7,155,763)	1,659,971	(1,912,698)	(15,371,746)	12,110,477

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

**HYDRO66 HOLDINGS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

	Nine months ended Sep 30,	
	2020	2019
	\$	\$
<b>Operating activities</b>		
<b>Net income / (loss) before tax for the period</b>	(3,665,953)	(3,486,087)
Adjustments for:		
Depreciation of property, plant and equipment	1,287,401	1,121,151
Depreciation of right-of-use assets	283,509	402,758
Gains from derecognition of right-of-use assets	(85,540)	-
Share based compensation	218,254	296,508
Result from disposal of digital currencies	23,432	(251,439)
Net change impairment of digital currencies	-	(50,467)
Payments received in digital currencies	(2,287,399)	(1,677,789)
Interest expenses	410,796	264,446
Net change in working capital	939,665	(1,038,907)
<b>Cash (used in) / from operations</b>	(2,875,835)	(4,419,826)
<b>Investing activities</b>		
Additions to property, plant and equipment	(685,585)	(231,014)
Proceeds from disposal of digital currencies	2,252,024	1,371,873
<b>Net cash used in investing activities</b>	1,566,439	1,140,859
<b>Financing activities</b>		
Proceeds from debenture issuance	1,365,970	849,573
Lease payments	(359,410)	(463,238)
Issuance of share capital, net of cash share issuance costs	-	1,133,126
<b>Net cash from financing activities</b>	1,006,560	1,519,461
<b>Net change in cash</b>	(302,836)	(1,759,506)
Cash at beginning of period	997,568	2,304,416
Effect of exchange rate	(73,573)	(98,774)
<b>Cash at end of period</b>	621,159	446,136
<b>Supplemental cashflow information</b>		
Equipment acquired with digital currencies	-	651,675
Equipment acquired with shares	-	654,950
Recognition of right-of-use assets/lease liabilities	1,777,595	2,636,906
Derecognition of right-of-use assets/lease liabilities	(1,819,616)	-
Short term loan in digital currencies	-	255,508
Short term loan repaid in digital currencies	-	260,447
Share issue cost paid with shares	-	21,074
<b>Supplemental disclosures</b>		
Interest paid	113,229	89,794
Income tax paid	-	-

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

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

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## **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 nine months ended September 30, 2020 the Company focussed its efforts on filling its capacity. During the period the Company incurred a net loss of \$3,665,953 (nine months ended September 30, 2019: net loss \$3,480,287). The loss in the period reflects the fixed costs of the full facility, which was expanded in 2018, as well as the investment in the Swedish operation to grow the sales of the Company’s services. 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.

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.

## **2. Basis of Preparation**

These condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all the information required for full annual financial statements.

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These condensed interim consolidated financial statements are presented in Canadian dollars and include accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated upon consolidation.

## **3. Significant accounting policies**

We applied the same accounting policies in these condensed consolidated interim financial statements as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2019. No new or revised standards or interpretations have been identified that could have a significant impact on the Company’s condensed consolidated financial statements for 2020 and forward.

In preparing these condensed interim consolidated financial statements, the significant judgements we made in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2019.

You should read these condensed interim consolidated financial statements in conjunction with the Company’s annual audited consolidated financial statements as at and for the years ended December 31, 2019 and 2018.

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Corporate Reorganization**

No corporate reorganization has occurred during 2020.

**5. Amounts Receivable and Prepaids**

	Sep 30, 2020	Dec 31, 2019
	\$	\$
Trade receivables, gross	89,959	125,772
Allowance for credit losses	(33,258)	(31,043)
Trade receivables, net	56,701	94,730
Prepayments and other debtors	362,348	144,184
VAT/GST receivable	194,370	479,108
Provision GST receivable	(117,357)	(100,994)
Energy tax rebate	0	146,794
Employee loans	247,487	248,120
Total current trade and other receivables	743,549	1,011,942

**6. Property, Plant and Equipment**

	Land & Buildings	Plant & Machinery	Office Equipment	Assets under Construction	Total
	\$	\$	\$	\$	\$
Cost					
At December 31, 2019	6,252,632	11,827,608	62,282	-	18,142,522
Additions	-	685,585	-	-	685,585
Reclassifications	-	-	-	-	-
Effect of foreign exchange	446,023	865,722	(159)	-	1,311,586
At September 30, 2020	6,698,655	13,378,915	62,123	-	20,139,693
Accumulated Depreciation					
At December 31, 2019	323,347	3,355,957	62,213	-	3,741,517
Depreciation for period	94,431	1,192,970	-	-	1,287,401
Effect of foreign exchange	26,231	279,379	(159)	-	305,451
At September 30, 2020	444,009	4,828,306	62,054	-	5,334,369
Net book value					
<b>At September 30, 2020</b>	<b>6,254,646</b>	<b>8,550,609</b>	<b>69</b>	<b>-</b>	<b>14,805,324</b>
At December 31, 2019	5,929,285	8,471,651	69	-	14,401,005

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**7. Right-of-use assets**

	Leased equipment \$	Office premises \$	Total \$
<b>Cost</b>			
At December 31, 2019	2,296,972	105,079	2,402,051
Additions	1,619,126	158,469	1,777,595
Sales	(2,251,377)	(106,799)	(2,358,176)
Effect of foreign exchange	142,657	1,776	144,433
At September 30, 2020	1,807,378	158,525	1,965,903
<b>Accumulated Depreciation</b>			
At December 31, 2019	392,622	69,755	462,377
Depreciation for period	238,668	44,841	283,509
Sales	(457,439)	(81,121)	(538,560)
Effect of foreign exchange	19,486	1,753	21,239
At September 30, 2020	193,337	35,228	228,565
<b>Net book value</b>			
<b>At September 30, 2020</b>	<b>1,614,041</b>	<b>123,297</b>	<b>1,737,338</b>
At December 31, 2019	1,904,350	35,324	1,939,674

**8. Digital currencies**

	\$
<b>Cost</b>	
At December 31, 2019	167,940
Additions	2,287,399
Disposals	(2,275,457)
Effect of foreign exchange	12,380
At September 30, 2020	192,262
<b>Impairment</b>	
At December 31, 2019	151,463
Effects on foreign exchange	10,807
At September 30, 2020	162,270
<b>Carrying value after impairment</b>	
<b>At September, 2020</b>	<b>29,992</b>
At December 31, 2019	16,477

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**9. Accounts Payable and Accrued Liabilities**

	Sep 30, 2020 \$	Dec 31, 2019 \$
Trade payables	643,035	688,461
Other payables	526,635	253,051
Accrued expenses	681,737	771,751
Deferred income	552,558	19,430
Total trade and other payables	<u>2,403,965</u>	<u>1,732,693</u>

**10. Lease liabilities**

	\$
At December 31, 2019	2,012,232
Recognized lease liabilities	1,777,595
Derecognized lease liabilities	(1,905,185)
Interest	113,229
Payments	(359,410)
Effect on foreign exchange	133,692
At September 30, 2020	<u>1,772,153</u>
Current portion of lease liabilities	(336,457)
Long-term portion of lease liabilities	1,435,696

During the Period the Group have renegotiated three large transformer contracts where price have been reduced but contract length has been prolonged. This has resulted in recognition of new lease liabilities and derecognition of earlier lease liabilities.

**11. Convertible Debentures**

	Sep 30, 2020 \$	Dec 31, 2019 \$
Loans payable	5,315,528	3,651,991
Total loans payable	<u>5,315,528</u>	<u>3,651,991</u>

As at September 30, 2020, the interest accrued on the convertible debentures was \$547,465. As at December 31, 2019, the interest accrued on the convertible debentures was \$249,898.

For detailed changes in Convertible debentures during the period, see note 12, "Reconciliation of liabilities arising from financing activities" and Note 16, "Related party transactions".

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**12. 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, 2020	3,651,991	-	3,651,991
Cash-flows:			
- Repayment	-	-	-
- Proceeds	1,365,970	-	1,365,970
Non-cash:			
- Accrued interest	297,567	-	297,567
- Conversion to share capital	-	-	-
September 30, 2020	<b>5,315,528</b>	-	<b>5,315,528</b>

Proceeds received during 2020 consists of the initial advance, second advance and third advance of a new convertible debenture financing that was made announced on Mars 31, 2020. For more information see note 16 "Related party transactions"

**13. 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 September 30, 2020.

*(b) Reconciliation of changes in share capital*

No changes in share capital has taken place during the period ended September 30, 2020.

*(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.

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**13. Equity (continued)**

Following is a summary of changes in stock options outstanding for the period ended September 30, 2020.

	Outstanding	Weighted average exercise price \$
Balance, December 31, 2019	10,625,000	0.40
Granted	-	-
Cancelled	-	-
Exercised	-	-
Balance, September 30, 2020	10,625,000	0.40

The stock options outstanding and exercisable as at September 30, 2020 are as follows:

Outstanding	Exercisable	Exercise Price	Expiry date
5,600,000	5,600,000	0.50	April 30, 2021
225,000	225,000	0.50	June 12, 2021
600,000	400,000	0.38	January 9, 2022
600,000	400,000	0.45	May 15, 2022
400,000	266,667	0.50	June 13, 2022
3,200,000	1,066,667	0.21	November 18, 2022
10,625,000	7,958,334		

*(d) Share based compensation*

During the nine month period ended September 30, 2020 the Company recognized stock-based compensation of \$218,254.

*(e) Warrants*

Following is a summary of changes in warrants outstanding for the period ended September 30, 2020:

	Warrants outstanding	Weighted average exercise price \$
Balance, December 31, 2019	48,819,750	0.75
Issued	-	-
Expired	(45,096,000)	0.75
Exercised	-	-
Balance, September 30, 2020	3,723,750	0.75

The warrants outstanding and exercisable as at September 30, 2020, are as follows:

Outstanding	Exercise price \$	Expiry date
3,723,750	0.75	July 12, 2021
3,723,750		

**HYDRO66 HOLDINGS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**14. 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 and other 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.

The Group holds the following financial instruments:

<b>Financial assets</b>	Sep 30, 2020 \$	Dec 31, 2019 \$
Cash and cash equivalents	621,159	997,568
Trade receivables due at reporting date	56,701	94,730
Other receivables	686,848	917,212
<b>Total</b>	<b>1,364,708</b>	<b>2,009,510</b>

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.

<b>Financial liabilities</b>	Sep 30, 2020 \$	Dec 31, 2019 \$
Trade payables	643,035	688,461
Other payables	526,635	253,051
Other accruals	681,737	771,751
Deferred income	552,558	19,430
Lease liabilities	1,772,153	2,012,232
Debt financing – loans payable	5,315,528	3,651,991
<b>Total</b>	<b>9,491,646</b>	<b>7,396,916</b>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Large part of other payables comprises of short term loan for equipment purchase. Deferred income comprises of service fees received in advance.

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**14. Financial Instruments and Risk Management (continued)**

As at September 30, 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

September 30, 2020	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current Later than 5 years
Promissory loan notes	-	-	1,770,628	6,183,619
Lease liabilities	169,420	224,016	1,464,391	477,755
Trade and other payables	2,403,965	-	-	-
<b>Total</b>	<b>2,573,385</b>	<b>224,016</b>	<b>3,235,019</b>	<b>6,661,374</b>

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

December 31, 2019	Within 6 months	Current 6 to 12 months	1 to 5 years	Non-current 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	-	-	-
<b>Total</b>	<b>1,973,123</b>	<b>255,621</b>	<b>3,164,161</b>	<b>4,442,206</b>

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.

(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 September 30, 2020 the Group had net trade receivables of \$56,701 (Dec 31, 2019: \$94,730).

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 \$33,257 (Dec 31, 2019: \$31,043) 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
52,976	-	-	-	3,725	56,701

This compares to the previous reporting period (Dec 31, 2019) of:

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

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.

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**14. Financial Instruments and Risk Management (continued)**

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.

*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 September 30, 2020 1 Canadian Dollar was equal to 0.7514 US Dollar, 0.5812 Pounds Sterling, 0.6405 Euro and 6.7249 Swedish Krona.

Balances are as follows:

	US Dollars	Pound Sterling	Euro	Swedish Krona	CAD equivalent
Cash	340,598	8,293	22,218	784,876	618,954
Accounts receivable and other debtors	-	193,623	-	2,759,219	743,442
Accounts payable and accrued liabilities	-	(94,630)	-	(14,138,543)	(2,265,235)
	340,598	107,286	22,218	(10,594,448)	902,839

Based on the net exposures as of September 30, 2020 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 \$90,000 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.

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**14. Financial Instruments and Risk Management (continued)**

(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 Centre 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 2020 fiscal year, and the Company is not subject to any externally imposed capital requirements.

**15. 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:

	Nine months ended September 30,					
	2020	2020	2020	2019	2019	2019
	\$	\$	\$	\$	\$	\$
	Data Center Services	Information Processing Services	Total	Data Center Services	Information Processing Services	Total
United Kingdom	36,783	-	36,783	37,659	-	37,659
Asia	-	1,974,295	1,974,295	-	-	-
USA & Canada	108,674	57,323	165,997	52,709	48,958	101,667
Rest of Europe	257,417	2,654	260,071	1,571,643	1,584,199	3,155,842
	402,874	2,034,272	2,437,146	1,662,011	1,633,157	3,295,168

**16. Related Party Transactions**

During the nine months ended September 30, 2020, Croft Legal Services Ltd, of which Richard Croft is a Director, provided legal services to Megamining Ltd of \$80,982.

During the nine months ended September 30, 2020, the Group bought services from Chase Management Limited of which Nick DeMare is a director, for \$5,225.

During the nine months ended September 30, 2020 Mr David Rowe, a significant shareholder, a director and the CEO of the Company participated in a secured convertible loan agreement in the amount of USD 576,000.

During the nine months ended September 30, 2020 Mr Robert Keith, a significant shareholder of the Company participated in a secured convertible loan agreement in the amount of USD 424,000.

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**16. Related Party Transactions (continued)**

On September 1, 2020, Mr David Rowe, a significant shareholder and a director of the company lent USD 250,000 to the company for the purchase of computing equipment, this loan is secured on the equipment purchased.

*Convertible loan*

In March 2020, the company 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 31, 2020 for conversion of amounts advanced in USD to Canadian dollars. The second advance of USD\$300,000 was drawn down on June 2, 2020 with an exchange rate of the same date for conversion of amounts advanced in USD to Canadian dollars. The third amount of USD\$400,000 was drawn down on August 13, 2020 with an exchange rate of the same date for conversion of amounts advanced in USD to Canadian dollars. 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 1.3660 Canadian Dollars to each US Dollar.

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.

*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:

	Nine months ended Sep 30, 2020 \$	Nine months ended Sep 30, 2019 \$
<b>Short-term employee benefits:</b>		
- Salaries including bonuses	321,444	443,604
- Social security costs	41,695	89,045
	<u>363,139</u>	<u>532,649</u>
<b>Post-employment benefits:</b>		
- Defined contribution pension plans	3,770	17,113
	<u>92,700</u>	<u>230,158</u>
<b>Share-based payments</b>	<u>92,700</u>	<u>230,158</u>
<b>Total remuneration</b>	<u>459,609</u>	<u>779,920</u>

**17. Subsequent Events**

No significant events have taken place since September 30, 2020, that are expected to have a material impact on these condensed consolidated interim financial statements.