

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Vogogo Inc. ("Vogogo" or the "Company"), on a consolidated basis, for the three and six months ended June 30, 2018.*

*This document should be read in conjunction with the information contained in the Company's unaudited condensed consolidated interim financial statements and related notes for the three months and six ended June 30, 2018 (the "Q2 2018 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "CAD" amounts and references in this MD&A are in Canadian dollars.*

*Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, August 28, 2018, being the date the Company's board of directors (the "Board") approved this MD&A and the Q2 2018 Financial Statements. All quarterly information contained herein is unaudited. Additional information about the Company can be found in the Company's filings with securities regulatory authorities, which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

## **OVERVIEW AND SIGNIFICANT EVENTS**

### ***Historical Operations***

Vogogo was created to become a specialized payment processing business with associated risk management capability. The Company spent recent years developing and launching technologies that enabled secure and compliant online transaction processing for businesses.

During the first half of 2016, following a strategic review process announced by Vogogo, the Board decided to suspend payment-processing operations in order to preserve the Company's cash position. The Company advised its remaining clients that it would cease to process payments by September 30, 2016. Prior to making this determination, the Board reviewed strategic alternatives that focused on increasing shareholder value. Ultimately, the Board concluded that suspending all operations and seeking a suitable vend-in opportunity was in the best interests of the Company and its shareholders.

### ***Crypto 205 Acquisition***

On April 3, 2018, the Company acquired all of the issued and outstanding shares of Crypto 205 Inc. (the "Crypto 205 Acquisition"). Crypto 205 Inc. ("Crypto 205") is now a wholly owned subsidiary of Vogogo that is engaged in the business of mining for cryptocurrencies for its own account and within mining pools. Pursuant to the 205 Acquisition, the Company acquired all of the issued and outstanding shares of Crypto 205 from its former shareholders in exchange for an aggregate of 130,000,001 non-voting, convertible series 1 preferred shares in the capital of Vogogo (the "Preferred Shares"), resulting in total consideration valued at \$51.35 million. In connection with the Crypto 205 Acquisition, the Company was also assigned a shareholder loan, which was settled in exchange for a cash payment of \$5 million to the former shareholders of Crypto 205.

The terms of the Preferred Shares provide, among other things, that they: (i) are non-voting; (ii) are convertible into common shares of the Company ("Common Shares") on a one for one basis, subject to customary adjustments; (iii) are eligible to participate in dividends if and when declared on the Common Shares; (iv) have priority rights on liquidation; and (v) are subject to a restriction that no holder of the Preferred Shares may convert into a number of Common Shares that would result in such holder beneficially owning greater than 9.9% of the Common Shares. The terms of the preferred shares issued by the Company to the former shareholders of Crypto 205 provide that such preferred shares are convertible immediately upon the holder providing sixty-one days prior written notice. The holders of the preferred shares contractually agreed not to dispose of any underlying common shares issued on conversion of the preferred shares held on closing of the 205 Acquisition (the "Underlying Common Shares") until three months after the closing date, at which point they could elect to dispose of up to 25% of the Underlying Common Shares and up to an additional 25% of the Underlying Common Shares after each of October 3, 2018, January 3, 2019 and April 3, 2019.

The 205 Acquisition provided the Company with a state-of-the-art cryptocurrency mining facility with access to 6 MW of power, complete with 4,000 Antminer S9 cryptocurrency mining machines, 125 Antminer R4 cryptocurrency mining machines, and all HVAC and electrical infrastructure required to operate this cryptocurrency mining facility.

### ***Impairment of Crypto 205 Acquisition***

The Company conducted a valuation of the net assets acquired and determined that an impairment of the purchase price was required. It was determined that, in order to carry the assets at their fair value, an impairment of \$48,221,794 would be recorded. This impairment included the entire initial goodwill of \$47,080,596, acquired on the purchase, as well as \$1,141,198 related to mining assets.

### ***AIF and Short Form Prospectus***

On May 15, 2018, the Company filed its Annual Information Form ("AIF") and a preliminary short form prospectus, and on May 16, 2018, the Company filed an amended and restated preliminary short form prospectus for the offering of convertible debenture units (see below). Both documents are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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***Convertible Debenture***

On June 21, 2018, the Company completed an underwritten prospectus financing (the "**Offering**") of debenture units (the "**Units**") for gross proceeds of \$34.5 million. Including the exercise in full of the over-allotment option, a total of 34,500 Units at a price of \$1,000 per Unit (the "**Issue Price**") were issued by the Company. Each Unit is comprised of \$1,000 principal amount of senior unsecured extendible non-redeemable convertible debentures ("**Convertible Debentures**") and 1,000 warrants ("**Warrants**") of the Company. Each Unit entitles the holder to a conversion rate of 2,000 Common Shares of the Company ("**Shares**") per \$1,000 principal amount of Convertible Debentures at a value of \$0.50 per Share and 1,000 Warrants exercisable for 1,000 Shares at a price of \$0.70 per Share.

The Convertible Debentures bear interest at 8% per annum, payable semi-annually, and mature within 24 months. The fair value of the Convertible Debentures was recorded at \$29,745,570, discounted at a market interest rate of 12%, and is net of debt issue costs. The accretion expense calculated using the effective interest method for the six months ended June 30, 2018 was \$46,771. Interest expense paid for the six months ended June 30, 2018 for Convertible Debentures was \$76,666.

The residual value of the conversion feature was estimated at \$2,214,930, net of issue costs using relative fair value allocation.

On closing, the Company paid the agent: (i) a commission of \$1.38 million representing 4% of the gross proceeds of the Offering; (ii) agent expenses and legal fees of \$260,291 and (iii) 1,380,000 broker warrant units ("Broker Warrant Units"). Each Broker Warrant Unit is exercisable into one Common Share and one Warrant at an exercise price of \$0.50 per share, expiring two years from the date of issuance. The Broker Warrant Units were measured based on the fair value of the equity instruments granted, as the fair value of services cannot be reliably measured. The estimated fair value of \$625,824 was based on the following assumptions: Special Warrant price – \$0.45; Annualized volatility – 100%; Risk-free interest rate – 1.82%; Dividend yield – 0%; and Expected life – 2 years. In addition, the Company incurred legal fees and advisory expenses as part of the wider prospectus financing of \$273,385 that was included in accounts payable at June 30, 2018.

If there are an aggregate of 15 days on which the daily volume-weighted average trading price of the Common Shares on the CSE (or such other Canadian stock exchange on which the Common Shares may trade) equals or exceeds \$0.90, the Company may force conversion of the Convertible Debentures at \$0.50, upon giving Convertible Debenture holders 30 days advance written notice (a "Forced Conversion"). If Convertible Debentures are subject to a Forced Conversion in the twelve month period following the closing date, holders of Convertible Debentures will receive an interest payment in cash on such Convertible Debentures equal to any accrued and unpaid interest up to the date of conversion and additional interest for the period from the date of conversion to the date that is twelve months following the original closing date.

Should there be an aggregate of 15 trading days on which the daily volume-weighted average trading price of the Common Shares on the CSE (or such other Canadian stock exchange on which the Common Shares may trade) equals or exceeds \$1.10 the Company may issue a notice of acceleration (an "Acceleration Notice") and, thereafter, the Warrants will expire on a Business Day specified in the Acceleration Notice, which date shall not be less than 20 days after the date of the Acceleration Notice

***9376-9974 Quebec Inc. Acquisition***

On June 29, 2018, the Company acquired all of the issued and outstanding shares of 9376-9974 Quebec Inc. (the "828 Acquisition"). 9376-9974 Quebec Inc. ("828") is now a wholly owned subsidiary of Vogogo that is engaged in the business of mining for cryptocurrencies for its own account and within mining pools as well as providing co-location services for other cryptocurrency mining companies. Pursuant to the 828 Acquisition, the Company acquired all of the issued and outstanding shares of 828 from its former shareholders for \$46 million, which was settled by \$36 million in cash and \$10 million in the form of a promissory note.

The promissory note is a two-year secured promissory note in favor of the vendor of 9376-9974 Quebec Inc. ("828 L.P."). The note bears interest at 8% per annum with interest payments due monthly on the 25<sup>th</sup> day of each month. Principal repayments of \$5 million are due on the one-year anniversary date of the note and at the date of maturity. The note is secured by the physical assets of 828.

The 828 Acquisition provided the company with a state-of-the-art cryptocurrency mining facility, including 14,000

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Antminer S9 cryptocurrency mining machines and all necessary corresponding HVAC and electrical infrastructure. Vogogo was able to negotiate with 828 L.P. for the inclusion of certain additional supporting infrastructure beyond what is required to operate the 14,000 mining machines, at no additional cost to the Company. Vogogo acquired additional HVAC and electrical equipment, which, once installed and operational, will support the operations of an additional 4,000 cryptocurrency mining machines at the facility, either mining for its own account or on a co-location basis for other miners.

As of the closing of the 828 Acquisition, approximately 10,500 mining machines were fully operational, with installation of the remaining mining machines underway and expected to be completed in the third quarter. Concurrent with closing, the Company entered into a lease agreement for the facility, which will have access to 30 megawatts of power for cryptocurrency mining, of which approximately 27 megawatts are used for mining and the balance for supporting HVAC and electrical systems. Vogogo also received confirmation from the Vendor that Hydro-Québec indicated that the electrical power necessary to operate the assets acquired through the 828 Acquisition is included in the 120 MW block of electricity that has already been allocated and approved for blockchain use in the Province of Quebec.

The Company acquired net assets with a fair value of \$45.46 million, which was equal to the consideration paid. The business combination resulted in a deferred tax liability in the amount of \$3.22 million directly related to the fair value adjustment of the mining equipment and infrastructure acquired. The impact of this deferred tax liability generated Goodwill on the acquisition. The Company conducted a preliminary valuation of the net assets acquired and determined that an impairment of the purchase price was required. It was determined that in order to carry the assets at their fair value, an impairment to Goodwill acquired for \$3.22 million related to the deferred tax liability would be recorded.

As of June 30, 2018, the allocation of the purchase consideration is based on preliminary estimates related to the fair value of the assets acquired and has not been finalized.

***Warrant exercise***

During the six months ended June 30, 2018, the Company issued 43,155,000 Common Shares for cash consideration of \$5,610,150 as a result of the exercise of previously issued warrants. Initially the 43,155,000 warrants were valued at \$1,484,136 using the Black-Scholes valuation model. On the exercise of the warrants, the value originally allocated to reserves was reallocated to the common shares.

***Stock options***

During the six months ended June 30, 2018, the Board approved the issuance of 12,595,951 stock options under the Company's share option plan to key management and employees at a weighted average price of \$0.40 per common share. The Company recorded stock-based compensation expense for options of \$455,317 (2017 – \$256,017) with an offsetting increase to contributed surplus in respect of the stock options granted during the six months ended June 30, 2018. No stock options were exercised during the six months ended June 30, 2018 or 2017, and as a result \$nil was transferred to share capital from contributed surplus. The weighted average remaining life of the options is 4.3 years.

**SUBSEQUENT DEVELOPMENTS**

***Co-location agreement***

On July 5, 2018, the Company announced that it had entered into a co-location agreement with a third-party cryptocurrency customer to host approximately 4,000 miners, requiring 6 MW of electrical power, which is expected to generate annual revenue to the Company of up to \$6.75 million. Co-location is an important step in the Company's diversification strategy, as this revenue stream is not subject to cryptocurrency price fluctuations.

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**Non-IFRS Measures**

The Company currently considers the following additional non-IFRS measures, with reconciliations to their nearest IFRS measures, as applicable, under "Reconciliations" below:

*Adjusted EBITDA*

The Company defines Adjusted EBITDA as net loss and comprehensive loss before interest expense (income), income tax expense (recovery), depreciation, stock-based compensation, one-time acquisition related costs, impairment, foreign exchange loss (gain), and fair value loss (gain) on re-measurement as set out in the reconciliation tables under "Reconciliations" below.

*Adjusted EBITDA Margin*

The Company defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenue.

**SELECTED FINANCIAL INFORMATION**

Selected financial information of the Company for the three and six months ended June 30, 2018 and 2017 and for the year ended December 31, 2017, is set forth below.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>		<u>Year ended</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>December 31,</u>
					<u>2017</u>
Revenue	\$ 2,709,176	\$ —	\$ 2,709,176	\$ —	\$ —
Net loss and comprehensive loss	(51,738,445)	(203,074)	(51,891,224)	(951,786)	(1,677,489)
Adjusted EBITDA	1,097,307	(90,022)	897,740	(716,150)	(992,206)
Adjusted EBITDA margin	41%	—	33%	—	—
Total assets	66,663,808	12,836,319	66,663,808	12,836,319	12,836,319
Total liabilities	37,284,621	93,982	37,284,621	93,982.0	224,823
Basic and diluted net loss and comprehensive loss per common share	\$ (0.35)	\$ (0.00)	\$ (0.37)	\$ (0.01)	\$ (0.02)

**DISCUSSION OF OPERATIONS**

*Comparison of the Three Months Ended June 30, 2018 and 2017*

	<u>Three Months Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenue	2,709,176	—	2,709,176
Cost of revenue	2,005,539	—	2,005,539
General and administrative	594,631	90,022	504,609
Impairment	50,958,891	—	50,958,891
Acquisition related costs	333,561	—	333,561
Fair value loss on re-measurement of digital assets	(465,855)	—	(465,855)
Interest income (expense), net	(107,303)	12,934	(120,237)

**Revenue**

During the three months ended June 30, 2018, the Company mined 269.7 Bitcoins resulting in total revenue of \$2.7 million. The average price for Bitcoin during the period was \$10,017. Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

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**Cost of revenue**

Cost of revenue is comprised of electricity costs, non-cash depreciation of mining and infrastructure equipment, contractors' fees, and general facility operating costs. The cost of mining a Bitcoin for the three months ended June 30, 2018 (excluding depreciation) was \$3,772 compared to the average price per Bitcoin for the period of \$10,017. Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

**General and administrative**

The increase in general and administrative expense for the three months ended June 30, 2018 as compared to the prior year period was primarily the result of (i) increased legal and professional fees for general corporate matters and various public filing fees, (ii) increased salaries including the addition of three new executive officers, and (iii) increased travel and entertainment costs to promote and market the Company. Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

**Impairment**

The Company conducted a valuation of the net assets acquired in the Crypto 205 Acquisition and determined that an impairment of the purchase price was required. It was determined that in order to carry the assets at their fair value, an impairment of \$50,958,891 would be recorded. The impairment included the initial goodwill of \$49,817,693, acquired on the purchases, as well as \$1,141,198 related to the mining assets to arrive at the fair value of the transaction.

**Acquisition related costs**

During the three months ended June 30, 2018, the Company incurred certain one-time costs directly related to the Crypto 205 Acquisition and the 828 Acquisition. These costs relate to certain legal and professional fees and travel costs required to complete the two transactions.

**Fair value loss on re-measurement of digital assets**

Fair value loss on re-measurement of digital assets represents the unrealized loss on adjusting the value of the digital assets on hand to the market value on the reporting date. As at June 30, 2018, the price of Bitcoin was \$8,432 (US\$6,404) compared to the average price of Bitcoin for the period of \$10,017 (US\$7,767). Prior to April 3, 2018, the Company was inactive and did not generate revenues in preceding quarter or in the comparable period for 2017.

**Interest income (expense), net**

During the three months ended June 30, 2018, the Company incurred net interest expenses of \$107,303 compared to net interest income of \$12,934 for the prior year period, resulting in a variance of (\$120,237). During the three months ended June 30, 2018, interest expenses relate to (i) interest accretion on the fair value adjustment of Convertible Debentures, and (ii) interest expenses paid on the Convertible Debentures. Interest income relates to interest earned on certain short-term cash investments. Prior to the three months ended June 30, 2018, the Company did not have Convertible Debentures generating interest expenses.

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*Comparison of the Six Months Ended June 30, 2018 and 2017*

	Six Months Ended June 30,		
	2018	2017	Variance
Revenue	2,709,176	—	2,709,176
Cost of revenue	2,005,539	—	2,005,539
General and administrative	794,198	716,150	78,048
Impairment	50,958,891	—	50,958,891
Acquisition related costs	333,561	—	333,561
Fair value loss on re-measurement of digital assets	(465,855)	—	(465,855)
Interest income (expense), net	(60,237)	23,972	(84,209)

**Revenue**

During the six months ended June 30, 2018, the Company mined 269.7 Bitcoins resulting in total revenue of \$2.7 million. The average price for Bitcoin during the period was \$10,017. Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

**Cost of revenue**

Cost of revenue is comprised of electricity costs, non-cash depreciation of mining and infrastructure equipment, contractors' fees, and general facility operating costs. The cost of mining a Bitcoin for the six months ended June 30, 2018 (excluding depreciation) was \$3,772. Prior to April 3, 2018, the Company was inactive and did not generate revenues in preceding quarter or in the comparable period for 2017.

**General and administrative**

The increase in general and administrative expense for the six months ended June 30, 2018 as compared to the prior year period was primarily the result of (i) increased legal and professional fees for general corporate matters and various public filing fees, (ii) increased salaries including the addition of three new executive officers, and (iii) increased travel and entertainment costs to promote and market the Company. Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

**Impairment**

The Company conducted a valuation of the net assets acquired in the Crypto 205 Acquisition and determined that an impairment of the purchase price was required. It was determined that in order to carry the assets at their fair value, an impairment of \$50,958,891 would be recorded. The impairment included the initial goodwill of \$49,817,693, acquired on the purchase, as well as \$1,141,198 related to mining assets to arrive at the fair value of the transaction.

**Acquisition related costs**

During the six months ended June 30, 2018, the Company incurred certain one-time costs directly related to the Crypto 205 Acquisition and the 828 Acquisition. These costs relate to certain legal and professional fees and travel costs required to complete the two transactions.

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**Fair value loss on re-measurement of digital assets**

Fair value loss on re-measurement of digital assets represents the unrealized loss on adjusting the value of the digital assets on hand to the market value on the reporting date. As at June 30, 2018, the price of Bitcoin was \$8,432 (US\$6,404) compared to the average price of Bitcoin for the three months of operations of \$10,017 (US\$7,767). Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter or in the comparable period for 2017.

**Interest income (expense), net**

During the six months ended June 30, 2018, the Company incurred net interest expense of \$60,237 compared to net interest income of \$23,972 for the prior year period resulting in a variance of (\$84,209). During the six months ended June 30, 2018, interest expense relates to (i) interest accretion on the fair value adjustment of Convertible Debentures, and (ii) interest expense paid on the Convertible Debentures. Interest income relates to interest earned on certain short-term cash investments. Prior to the six months ended June 30, 2018, the Company did not have Convertible Debentures generating interest expense.

**RECONCILIATIONS**

The following table outlines the reconciliations of adjusted EBITDA and adjusted EBITA margin to its nearest IFRS measure:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Net loss and comprehensive loss</b>	<b>\$ (51,738,446)</b>	<b>\$ (203,074)</b>	<b>\$ (51,891,224)</b>	<b>\$ (951,786)</b>
Interest expenses	124,949	1,395	125,623	3,167
Interest income	(17,645)	(14,329)	(65,386)	(27,139)
Income tax	(608,990)	—	(608,990)	—
Depreciation	988,301	—	988,301	—
<b>EBITDA</b>	<b>(51,251,831)</b>	<b>(216,008)</b>	<b>(51,451,676)</b>	<b>(975,758)</b>
Stock-based compensation	455,317	127,587	455,317	256,017
Acquisition-related costs	333,561	—	333,561	—
Impairment	50,958,891	—	50,958,891	—
Foreign exchange loss	135,514	(1,601)	135,792	3,591
Fair value loss on re-measurement of digital assets	465,855	—	465,855	—
<b>Adjusted EBITDA</b>	<b>\$ 1,097,307</b>	<b>\$ (90,022)</b>	<b>\$ 897,740</b>	<b>\$ (716,150)</b>
Revenue	2,709,176	—	2,709,176	—
Adjusted EBITDA	1,097,307	(90,022)	897,740	(716,150)
<b>Adjusted EBITDA margin</b>	<b>41%</b>	<b>—</b>	<b>33%</b>	<b>—</b>



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**SUMMARY OF QUARTERLY RESULTS**

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	<b>For the three months ended (unaudited)</b>			
	<b>September 30, 2016</b>	<b>December 31, 2016</b>	<b>March 31, 2017</b>	<b>June 30, 2017</b>
Revenue	\$ 31,338	\$ 224,862	\$ —	\$ —
Net loss and comprehensive loss	(1,041,344)	(602,639)	(748,713)	(203,073)
Total assets	6,618,097	8,148,556	7,773,903	7,010,366
Total liabilities	1,404,272	536,403	782,033	93,982
Basic and diluted loss and comprehensive loss per common share	\$ (0.02)	\$ (0.01)	\$ —	\$ —

	<b>For the three months ended (unaudited)</b>			
	<b>September 30, 2017</b>	<b>December 31, 2017</b>	<b>March 31, 2018</b>	<b>June 30, 2018</b>
Revenue	\$ —	\$ —	\$ —	\$ 2,709,176
Net loss and comprehensive loss	(204,208)	(521,495)	(152,778)	(51,738,445)
Total assets	6,935,495	12,836,319	13,008,741	66,663,808
Total liabilities	95,078	224,823	147,023	46,285,348
Basic and diluted loss and comprehensive loss per common share	\$ —	\$ —	\$ —	\$ (0.35)

**LIQUIDITY AND CAPITAL RESOURCES**

The Company commenced earning revenues in April of 2018. However, it has limited history and no assurances that historical performance will be indicative of future performance. The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent on the Company's ability to efficiently mine cryptocurrencies and then exchange the cryptocurrencies for fiat currency. As at June 30, 2018, the Company had a working capital balance of \$939,938 (2017 – \$12,611,496) and currently has sufficient cash to fund its current operating and administrative costs.

**Contractual obligations**

The following is a summary of the Company's contractual obligations at June 30, 2018:

	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Promissory note <sup>1</sup>	\$ 11,200,000	\$ 5,800,000	\$ 5,400,000	\$ —	\$ —
Convertible debenture <sup>1</sup>	40,020,000	2,760,000	37,260,000	—	—
Purchase obligations	9,562,500	1,847,500	3,807,500	3,907,500	—
<b>Total</b>	<b>\$ 60,782,500</b>	<b>\$ 10,407,500</b>	<b>\$ 46,467,500</b>	<b>\$ 3,907,500</b>	<b>\$ —</b>

<sup>1</sup>Includes principal and interest.

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**Financial instruments and risk management**

The Company is exposed to various risks including market risk, liquidity risk, and other risks related to its current concentration in a single asset, Bitcoin. Investing in bitcoin is highly speculative and volatile. The investment objective of the Company is to track the market price of Bitcoin, less the Company's liabilities and expenses, by investing the assets of the Company in Bitcoin and, in the future, other cryptocurrencies. As Bitcoin and other cryptocurrency prices rise, the Company should achieve those gains. However, there can be no assurance that the Company matches the gains in Bitcoin and other cryptocurrencies. The company does not employ leverage as part of its investment strategy.

To the extent private keys for Bitcoin addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Company may be unable to access the Bitcoin held in the associated address and the private key will not be capable of being restored by the Bitcoin network. The processes by which bitcoin transactions are settled are dependent on the Bitcoin peer-to-peer network, and as such, the Company is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of Bitcoin.

The nature and extent of the financial instruments outstanding at the reporting date, and the risk management policies employed by the Company, are discussed below.

***Interest rate risk***

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As all of the Company's financial debts are based on fixed interest rates, the impact of a change in interest rates will not impact the Company's income or cash flows.

***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Company.

The table below indicates the foreign currencies to which the Company has significant exposure at June 30, 2018 in Canadian dollar terms:

	USD
Cash	\$ 72,630
Digital assets	\$ 2,611,975
Accounts payable and accrued liabilities	\$ (2,563,906)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the CAD exchange rate at the balance sheet date for balance sheet items denominated in USD:

Currency	10% Strengthening (weakening)
CAD	\$ 12,070

***Price risk***

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The net asset value of the Company relates directly to the value of the Bitcoin held by the Company, and fluctuations in the price of Bitcoin could materially and adversely affect an investment in the shares of the Company. The price of bitcoin has a limited history. During such history, Bitcoin prices have been volatile and subject to influence by many factors including the levels of liquidity. If Bitcoin markets continue to experience significant price fluctuations, the

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Company may experience corresponding losses or gains. Several factors may affect the price of Bitcoin, including, but not limited to, global Bitcoin supply and demand, and competition from other forms of digital currency or payment services.

At June 30, 2018, had the market price of the Company's holdings of Bitcoin increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to \$261,198.

***Credit risk***

Credit risk is the risk that the counterparty to the financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

There is currently no central or major depository for the custody of Bitcoin. There is a risk that some or all of the Company's Bitcoins could be lost or stolen. The Company does not have insurance protection on its Bitcoin which exposes the Company and its shareholders to the risk of loss of the Bitcoin. Further, Bitcoin transactions are irrevocable and stolen or incorrectly transferred Bitcoin may be irretrievable. As a result, any incorrectly executed Bitcoin transactions could adversely affect an investment in the Company.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash that is generated from financing activities and through the sale of digital assets. The value of digital assets is subject to changes in market value of the underlying digital currency which can fluctuate materially over time. All of the Company's liabilities are due within the next two years.

***Concentration risk***

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Currently, the Company has its investment highly concentrated in a single asset, Bitcoin. The Company tracks the market price of bitcoin, less the Company's liabilities and expenses, by investing in the assets of the company in Bitcoin. The only investments of the Company are direct investments in bitcoin.

***Security risk***

Bitcoins are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the Bitcoins are held. The bitcoin network requires a public key relating to a digital wallet to be published when used in a spending transaction and, if keys are lost or destroyed, this could prevent trading of the corresponding Bitcoins.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the Bitcoin exchange market since the launch of the Bitcoin network. Any security breach caused by hacking could cause loss of Bitcoin investments.

***Bitcoin network risk***

The open-source structure of the Bitcoin network protocol means that the core developers of the Bitcoin network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Bitcoin network protocol. A failure to properly monitor and upgrade the Bitcoin network protocol could damage the Bitcoin network.

**CASH FLOWS BY ACTIVITY**

***Comparison of the Three Months Ended June 30, 2018 and 2017***

The table below outlines a summary of cash inflows and outflows by activity for the three months ended June 30, 2018 and 2017.

	<b>Three Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash used in operating activities	\$ (5,328,096)	\$ (599,908)
Net cash provided by financing activities	\$ 37,990,193	\$ —
Net cash used in investing activities	\$ (41,025,987)	\$ —

**Cash used in Operating Activities**

The Company generated cash outflows from operating activities for the three months ended June 30, 2018 and 2017. The Company's cash outflow from operating activities increased for the three months ended June 30, 2018 as compared to the prior year period primarily as a result of (i) cash outflows related to mining costs incurred in the period, (ii) settlement of acquired payables, and (iii) increased prepaid deposits for rent and electricity.

**Cash provided by Financing Activities**

During the three months ended June 30, 2018, the Company's cash inflows from financing activities related to (i) proceeds from the issuance of the Convertible Debenture, and (ii) proceeds from issuance of Common Shares in relation to exercised warrants. These inflows were partially offset by interest paid on the Convertible Debenture. During the three months ended June 30, 2017, the Company did not have any financing activity.

**Cash used in Investing Activities**

During the three months ended June 30, 2018, the Company's cash outflows from investing activities related to the (i) completion of the 828 Acquisition, (ii) settlement of the shareholder loan assigned in the Crypto 205 Acquisition, and (iii) purchase of equipment. These cash outflows were partially offset by interest earned on short-term investments. During the three months ended June 30, 2017, the Company did not have any investing activity.

***Comparison of the Six Months Ended June 30, 2018 and 2017***

The table below outlines a summary of cash inflows and outflows by activity for the six months ended June 30, 2018 and 2017.

	<b>Six Months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Net cash used in operating activities	\$ (5,643,420)	\$ (938,864)
Net cash provided by (used in) financing activities	\$ 38,393,193	\$ —
Net cash used in investing activities	\$ (41,025,987)	\$ —

**Cash used in Operating Activities**

The Company generated cash outflows from operating activities for the six months ended June 30, 2018 and 2017. The Company's cash outflow from operating activities increased for the six months ended June 30, 2018 as compared to the prior year period primarily as a result of (i) cash outflows related to mining costs incurred in the period, (ii) settlement of acquired payables, and (iii) increased prepaid deposits for rent and electricity.

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**Cash provided by Financing Activities**

During the six months ended June 30, 2018, the Company's cash inflows from financing activities related to (i) proceeds from the issuance of the Convertible Debenture, and (ii) proceeds from issuance of Common Shares in relation to exercised warrants. These inflows were partially offset by interest paid on the Convertible Debenture. During the six months ended June 30, 2017, the Company did not have any financing activity.

**Cash used in Investing Activities**

During the six months ended June 30, 2018, the Company's cash outflows from investing activities related to the (i) completion of the 828 Acquisition, (ii) settlement of the shareholder loan assigned in the Crypto 205 Acquisition, and (iii) purchase of equipment. These cash outflows were partially offset by interest earned on short-term investments. During the six months ended June 30, 2017, the Company did not have any investing activity.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies in these condensed consolidated interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2017.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending December 31, 2018.

**SIGNIFICANT JUDGEMENTS AND ESTIMATES**

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the condensed interim consolidated financial statements.

**Income taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Company has not recognized the value of any deferred tax assets in its statements of financial position.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute of limitations for examination expires or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with its various filing positions. Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect its effective income tax rate and income tax provision.

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The Company has earned bitcoin from the commercial activity of Bitcoin mining. The Company has followed the published Canada Revenue Agency ("CRA") view that Bitcoin is a commodity and inventory of the business, the value of which is included in the calculation of taxable income from the business. Bitcoin is valued in accordance with Section 10 of the Income Tax Act. Revenue from Bitcoin mining is included in taxable income when the Bitcoin earned is sold or exchanged for cash or another asset. There is uncertainty regarding the taxation of cryptocurrency and the CRA may assess the Company differently from the position adopted. This could result in additional current taxes payable with equal offset to deferred tax expense.

**Impairment of non-financial assets**

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the period end, management concluded that none of the Company's non-financial assets were impaired.

**Foreign currency translation**

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statement of operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

**Fair value measurement of stock options and broker warrants**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the broker warrants, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for stock options and broker warrants are disclosed in note 11.

**Accounting for digital assets**

At present, there is limited guidance in IFRS on the recognition and measurement of digital assets. Noted below are the key policies used to account for these assets.

**Fair value of digital assets**

Digital assets are measured at fair value using the quoted price on [www.coinmarketcap.com](http://www.coinmarketcap.com) ("CMC" or "Coin Market Cap"). Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The digital assets are valued based on the closing price obtained from Coin Market Cap at the reporting period corresponding to the different digital assets mined by the Company. The Company is relying on the data available at Coin Market Cap to be an accurate representation of the closing price for the different digital assets.

**Useful life of mining equipment**

Management is depreciating mining equipment using a straight-line basis, with a useful life of:

Supporting infrastructure	5 years
Mining Servers	3 years

The mining equipment is used to generate digital assets. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following:

- The complexity of the mining process, which is driven by the algorithms contained within the digital assets open source software;

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- The general availability of appropriate computer processing capacity on a global basis; and,
- Technological obsolescence resulting from rapid development in the mining machines, such that more recently developed hardware generally increases processing capacity, which usually renders new machines more economically efficient to operate, resulting in lower costs of operations. Further, the newer machines may be made available at a lower cost of purchase.

Based on the Company's and the industry's short life cycles to date, there is limited market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including the digital asset's price and network difficulty, and derived from management's assumptions that are inherently judgmental. Based on current data available management has determined that the straight-line method of amortization over three years best reflects the current expected useful life of mining equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The mining equipment has been assumed to have no residual value at the end of its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

### **SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies in these condensed consolidated interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended December 31, 2017.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending December 31, 2018.

#### **Revenue recognition**

Revenue comprises the fair value of consideration received or receivable for the provision of services in the ordinary course of business. The Company derives its revenue through the receipt of digital assets in exchange for providing successful "mining" services to the blockchains corresponding to various digital assets. Mining is the process by which transactions are verified and added to a blockchain. A miner is only able to validate transactions when its computer equipment has solved a computationally difficult algorithm.

Revenue is recognized according to the five-step model in IFRS 15, Revenue from Contracts with Customers. Digital assets mining is the ordinary business activity of the Company, and the consideration received meets the definition of revenue as income arising in the course of the Company's ordinary activities. The Company has determined that the substance of its mining activities is a service provision under the scope of IFRS 15 notwithstanding the lack of a formal contractual arrangement under which it provides such services as the services are provided through the blockchain protocol. Also, there is no collaboration arrangement within the blockchain, and the Company's rights and obligations are implied by the customary business practices prevalent within the industry.

Revenue is recognized by the Company when payment, in the form of digital assets, is received for successful mining services rendered. Revenue earned from digital assets mining activities is recognized at the fair value of the digital assets received as consideration on the date of actual receipt. Fair value is measured using the closing price on Coin Market Cap on the date of receipt. Revenue is recognized daily at the Canadian dollar value for the digital assets mined. During the three and six months ended June 30, 2018, the Company recognized \$2,709,176 in revenue from Bitcoin mining.

The amended standard was adopted on January 1, 2018 and did not have an impact on the condensed consolidated interim financial statements.

#### **Digital assets**

Digital assets are generated from the Company's mining service activities. The Company classifies and measures digital assets at fair value and realized and unrealized gains and losses are recorded through profit and loss.

The Company obtains the equivalency rate of tradable digital assets to USD from Coin Market Cap, a source that aggregates data from multiple exchanges and applies a methodology to determine the best quoted USD price on the date the digital assets were generated. The Company converts the price from USD to CAD based on the closing

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exchange rate on the date of asset generation. Subsequent to initial recognition, digital assets are remeasured at each reporting period. The resulting gain or loss from subsequent remeasurement is recognized in the statement of comprehensive income (loss) as a fair value remeasurement of digital assets. The equivalency rate obtained from Coin Market Cap represents a generally well recognized quoted price for tradable digital assets, and this information and all related databases are accessible to the Company.

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property and equipment and any expenditure required to make the property and equipment ready for use. Repairs and maintenance are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on property and equipment at rates designed to charge the cost of the assets over their estimated useful lives, as follows:

Supporting infrastructure	5 years	straight-line
Mining Servers	3 years	straight-line

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation of mining equipment is recognized in cost of revenue on the consolidated statement of income and comprehensive income.

Refer to note 3 for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation the underlying useful life and the estimation of residual values in respect of mining equipment.

Certain items of property and equipment may be acquired in exchange for digital assets. The cost of such items is measured at fair value and the consideration is settled by providing an equivalent amount of digital assets at the date of acquisition. Such transactions do not require the use of cash or cash equivalents and are excluded from the statement of cash flows.

**Financial instruments**

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements.

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data (unobservable data).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, with impairment losses recognized in net income (loss) and comprehensive income (loss).

The Company designates its cash and cash equivalents as fair value through income and accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost using the effective interest rate method.



### ***IFRS 9 – Financial Instruments***

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments, including the classification and measurement of financial assets and the expected loss impairment model. The amendments to IFRS 9 were effective for annual periods on or after January 1, 2018 and are applied retrospectively. The adoption of this standard had no material impact on these condensed interim financial statements.

#### ***Financial assets***

The Company classifies its financial assets into one of several categories, depending on the purpose for which the asset was acquired. The categories and the accounting policy for each category are as follows.

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of income.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each of the aforementioned categories of financial assets.

The Company classified its financial assets as follows:

- Cash at fair value through profit and loss; and
- Accounts receivable as loans and receivables

#### ***Financial liabilities***

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of income.

*Other financial liabilities* – This category includes long-term debt, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company classified its financial liabilities as follows:

- Accounts payable and accrued liabilities and promissory notes as other financial liabilities.

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

**Loss per share**

The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares outstanding during the period. Diluted loss per share is calculated on the treasury stock basis. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

**Share issue costs**

Costs incurred for the issue of common shares are deducted from share capital.

**Share-based transactions**

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted on the date the entity obtains the goods or the counterparty renders the service.

***Broker Warrants***

The Company issued broker warrants as part of brokered private placement offering for common shares. Broker warrants are measured at fair value at the date of the offering and accounted for as a separate component of shareholders' equity. When the broker warrants are exercised, the proceeds received together with the related amount allocated as a separate component of shareholders' equity are allocated to capital stock. If the broker warrants expire unexercised, the related amount separately allocated to shareholders' equity is allocated to contributed surplus.

**Income taxes**

Vogogo is in the business of mining for digital assets in a commercial manner. The income from the business is included in determining taxable income for the period. Revenue from digital assets mining is included in taxable income when the digital assets earned are sold or exchanged for cash or another asset. The digital assets held at period end is treated as a commodity and valued pursuant to section 10 of the Income Tax Act.

Income tax expense consists of current and deferred tax expenses. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

***Current income tax***

Current income tax is measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred income tax***

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right to offset.

**Accounting policies not yet adopted**

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the period ended December 31, 2017 and accordingly, have not been applied in preparing these condensed interim consolidated financial statements:

***IFRS 16, Leases***

IFRS 16 was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of assessing the impact of this standard on the Company's consolidated financial statements.

**RELATED PARTY TRANSACTIONS**

The key management personnel of the Company are certain members of the Company's executive management team and the Board.

The compensation of such key management for the six months ended June 30, 2018 and 2017 included the following:

	<b>2018</b>	<b>2017</b>
Salaries and director remuneration	\$ 245,189	\$ 79,896
Stock-based compensation expense - directors and officers	303,477	220,833
	<b><u>\$ 548,666</u></b>	<b><u>\$ 300,729</u></b>

As at June 30, 2018, included in accounts payable and accrued liabilities was \$220,435 (December 31, 2017 – \$69,751) of payments owed to key management personnel. As at June 30, 2018, \$72,617 of the amount included in accounts payable and accrued liabilities relate to salaries payable, which will be settled through the transfer of Bitcoin.

**OFF BALANCE SHEET ARRANGEMENTS**

As at June 30, 2018, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value and an unlimited number of common shares. The table below lists the securities outstanding:

	<u>As at August 28, 2018</u>
Common shares	191,599,471
Preferred shares	114,775,667
Stock options	18,485,951
Share purchase warrants	19,790,000
<b>Total Common Shares on a fully-diluted basis</b>	<b><u>344,651,089</u></b>

### **RISK FACTORS AND UNCERTAINTIES**

The business of the Company contains significant risk. Certain risk factors are similar across the industry while others are specific to the Company. For a discussion of these risk factors, please refer to the Company's management's discussion and analysis for the year ended December 31, 2017, including under "Risk Factors and Uncertainties" therein, as well as the Company's prospectus filed on June 14, 2018, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company's current operations are focused on cryptocurrencies and, at present, such activities are limited to cryptocurrency mining. The risks that the Company faces are primarily those faced by cryptocurrency miners, in particular those set out below/

#### **The Company is exposed to cryptocurrency security risk.**

The Company's cryptocurrency inventory may be exposed to cybersecurity threats, flaws in code and hacks. As with any other computer code, flaws in the cryptocurrency codes have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users and exposed users' information. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have been relatively rare. The Company's cryptocurrency inventory may also be lost or severely reduced as a result of flaws in the cryptocurrency code. Further, there may be fraud or security failures at the cryptocurrency exchanges on which the Company's cryptocurrencies are exchanged, resulting in closures of the cryptocurrency exchanges or complete losses of the Company's cryptocurrency balance at those exchanges.

#### **The Company is exposed to risk from system failures or inadequacies**

The Company's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against cyber security breaches, damage from fire, natural disaster, power loss, telecommunications failure or similar events. Security procedures implemented by the Company are technical and complex, and the Company depends on the security procedures to protect the storage, acceptance and distribution of data relating to its inventory of cryptocurrencies and the digital wallets into which the Company deposits its cryptocurrencies. The Company's security procedures may not protect against all errors, software flaws (i.e. bugs) or vulnerabilities. Defects in the security procedures may only be discovered after a failure in the Company's safekeeping and storage of its inventory of cryptocurrencies. While the Company will continually review and seek to upgrade its technical infrastructure and provide for certain system redundancies and backup power to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

**The Company is exposed to risk of equipment breakdown of defects**

The Company purchased 14,000 cryptocurrency mining machines in the 828 Acquisition. While it was a condition to the closing of the 828 Acquisition that these cryptocurrency mining machines are operational and that they met agreed specifications, it is possible that serious defects or deficiencies could arise in these machines, which would make it difficult or impossible for the Company to meet its expected operational levels and could result in a material and adverse effect on the Company's business.

**The Company may not be able to acquire mining equipment at favorable prices**

There can be no guarantee that the Company will be able to source mining machines required to scale the Company's business plan at prices that are favorable to the Company or at all.

**Regulatory charges or actions may alter the nature of an investment in the Company or restrict the use of cryptocurrencies in a manner that adversely affects the Company's operations**

As cryptocurrencies have grown in both popularity and market size, governments around the world have reacted differently to cryptocurrencies, with certain governments deeming them illegal while others have allowed for their use and trade. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the ability of the Company to continue to operate. The effect of any future regulatory change on the Company or any cryptocurrency that the Company may mine is impossible to predict, but such change could be substantial and adverse to the Company. Governments may in the future curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. Governments may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade cryptocurrencies or to exchange cryptocurrencies for fiat currency. By extension, similar actions by other governments may result in restrictions on the acquisition, ownership, holding, selling, use or trading in the Company's shares. Such restrictions could result in the Company liquidating its Bitcoin inventory at unfavorable prices and may adversely affect the Company's shareholders. For example, government officials in South Korea and China have taken steps to regulate cryptocurrency and cryptocurrency exchanges. In 2017, the South Korea Financial Services Commission placed restrictions on initial coin offerings, and in January 2018 announced a ban on trading through South Korean based cryptocurrency accounts by foreigners. Like South Korea, the People's Bank of China banned initial coin offerings in September 2017 and subsequently issued a publication in February 2018 citing its commitment to monitoring and blocking domestic access to cryptocurrency exchanges. Such restrictions, including the possibility or contemplation of such restrictions, may adversely affect the Company's operations or the market price of the Company's securities.

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

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

**Acceptance and/or widespread use of cryptocurrency is uncertain**

Currently, there is relatively small use of Bitcoins and/or other cryptocurrencies in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect the Company's operations, investment strategies, and profitability. As relatively new products and technologies, Bitcoin, the Bitcoin network, and its other cryptocurrency counterparts have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of cryptocurrency demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of cryptocurrencies. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in their market prices, either of which could adversely impact the Company's operations, investment strategies, and profitability. The ability to use cryptocurrencies is also limited by the willingness of others to accept it as payment as no law requires companies or individuals to accept them as a form of payment for goods and services. In the event that no company or individual is willing to accept cryptocurrencies as payment, they will not have any value and the Company's operations will be negatively impacted.

**Regulatory changes may result in unanticipated expenses**

The Company may be required to comply with regulations that may cause the Company to incur additional expenses, possibly affecting an investment in the Company in a material and adverse manner. Compliance with such regulations may result in additional recurring or in extraordinary and non-recurring expenses that may be disadvantageous to the Company and its operations.

**The Company is exposed to risk of loss of access to power**

The Company's operations are dependent on its ability to maintain a consistent and economical source of power in order to run its cryptocurrency mining assets. While the Company believes its sources of power are reliable and its backup power supply limits the likelihood of power interruptions, any suspension of its power supply or failure in its backup power supply could result in a material and adverse effect on the Company's business. In March 2018, Hydro-Québec, the provincial supplier of electricity, imposed a moratorium on all requests for additional power from cryptomining companies while it reviews the industry. While there is no immediate impact on the Company's current operations or on those planned after the 828 Acquisition, the Company understands that possible responses from Hydro-Québec may include demanding higher electricity rates from cryptomining companies or the imposition of other requirements, such as minimum employment commitments, as conditions to using large amounts of electricity. Increased rates or other costs associated with accessing power could materially reduce the margins that the Company generates, materially reducing its profit and cash flows and thereby adversely impacting the Company's shareholders.

**Price Fluctuations**

The price of cryptocurrency has fluctuated widely over the past three years. There is no assurance that cryptocurrency will maintain long-term value in terms of purchasing power in the future or that the acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of cryptocurrency declines, the value of an investment in the Company will likely decline. Further, the price of the Company's securities and the overall success of the Company are tied to the prices of cryptocurrencies, which are outside of the Company's control.

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

Momentum pricing typical is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the values of cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to

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fluctuate in value due to changing investor confidence in future appreciation (or depreciation), which could adversely affect the value of the Company's Bitcoin inventory and thereby affect the Company's shareholders.

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

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

**Increase in Electricity Rates**

If electricity rates in Canada, the United States or other jurisdictions where the Company may conduct operations in the future increase by a substantial amount, or if the Company is unable to negotiate favourable electricity rates in connection with the operation of its business, the operating costs of the Company would likely increase, which could adversely affect its profitability and deployment of capital.

**Reliance on Key Personnel**

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Any loss of the services of such individuals or the Company's inability to attract and retain additional highly skilled employees could have a material adverse effect on the Company's business, operating results or financial condition. To operate successfully and manage its potential future growth, the Company must attract and retain highly qualified managerial, financial and technological personnel. The Company is expected to face intense competition for qualified personnel in these areas. If the Company is unable to hire and retain additional qualified personnel in the future to develop its business, then its financial condition and operating results could be adversely affected.

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

Crises may motivate large-scale purchases of cryptocurrencies, which could increase the price of cryptocurrencies rapidly. This may increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes, adversely affecting the value of the Company's Bitcoin inventory. The possibility of large-scale purchases of cryptocurrencies in times of crisis may have a short-term positive impact on the prices of these cryptocurrencies. Crises in the future may erode investors' confidence in the stability of cryptocurrencies and may impair their price performance, which would, in turn, adversely affect the Company's investments. As an alternative to fiat currencies that are backed by central governments, cryptocurrencies such as Bitcoin, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of Bitcoins either globally or locally. Large-scale sales of cryptocurrencies would result in a reduction in their market prices and adversely affect the Company's operations and profitability.

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

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

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

**The Company may be required to sell its cryptocurrencies to pay for maintaining its mining datacenters**

The Company may sell its cryptocurrencies to meet its current obligations and to pay for expenses incurred in operating the Company's business, irrespective of then-current cryptocurrency prices. Consequently, the Company's cryptocurrencies may be sold at a time when the price is low, resulting in a negative effect on the Company's profitability.

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

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

**The need for permits and licenses may negatively impact growth or expenses**

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that Company will be able to obtain on a timely basis all necessary licenses and permits that may be required in the future, slowing the anticipated growth of the Company's assets and operations and increasing expenses.

**The Company's cryptocurrencies may be subject to loss, theft or restriction on access**

There is a risk that some or all of the Company's cryptocurrencies could be lost or stolen. Access to the Company's cryptocurrencies could also be restricted by cybercrime (such as a denial of service ("DoS") attack) against a service at which the Company maintains a hosted online wallet. Any of these events may adversely affect the operations of the Company and, consequently, its investments and profitability. The loss or destruction of a private key required to access the Company's digital wallets may be irreversible. The Company's loss of access to its private keys or its experience of a data loss relating to the Company's digital wallets could adversely affect its investments. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its cryptocurrencies and such private keys will not be capable of being restored by network. Any loss of private keys relating to digital wallets used to store the Company's Bitcoins could adversely affect its investments and profitability.



**Incorrect or fraudulent cryptocurrency transactions may be irreversible**

Cryptocurrency transactions are irrevocable, so stolen or incorrectly transferred cryptocurrencies may be irretrievable. As a result, any incorrectly executed or fraudulent cryptocurrency transactions could adversely affect the Company's investments. Cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. In theory, cryptocurrency transactions may be reversible with the control or consent of a majority of processing power on the network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of a cryptocurrency or a theft of cryptocurrency generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft. Although the Company's transfers of cryptocurrencies will regularly be made by experienced members of the management team, it is possible that, through computer or human error, or through theft or criminal action, the Company's cryptocurrencies could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

**Cryptocurrencies are not covered by deposit insurance**

Transactions using cryptocurrencies are not covered by deposit insurance, unlike banks and credit unions that provide guarantees or safeguards.

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

As the number of Bitcoins awarded for solving a block in the Bitcoin blockchain decreases, the incentive for miners to continue to contribute processing power to the network may transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for the relevant cryptocurrency and prevent the expansion of the corresponding network to retail merchants and commercial businesses, resulting in a reduction in the price of the relevant cryptocurrency that could adversely impact the Company's Bitcoin inventory and investments. In order to incentivize miners to continue to contribute processing power to the network, the network may either formally or informally transition from a set reward to transaction fees earned upon solving a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee, or by the network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the blockchain become too high, the marketplace may be reluctant to accept the network as a means of payment and existing users may be motivated to switch between cryptocurrencies or back to fiat currency. Decreased use and demand for cryptocurrencies may adversely affect their value and result in a reduction in the market prices of cryptocurrencies. If the reward for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the blockchain could be slowed temporarily. A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the Company's mining activities. If the reward of cryptocurrencies for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce collective processing power, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make the network more vulnerable to a malicious actor or botnet obtaining control in excess of 50 percent of the processing power. Any reduction in confidence in the confirmation process or processing power of the network may adversely impact the Company's mining activities, inventory of cryptocurrencies, and future investment strategies.

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

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

**Risk related to technological obsolescence and difficulty in obtaining hardware**

To remain competitive, the Company will continue to invest in hardware and equipment at the datacenters required for maintaining the Company's mining activities. Should competitors introduce new services/software embodying new technologies, the Company recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace. The increase in interest and demand for cryptocurrencies has led to a shortage of mining hardware. Equipment in the datacenters will require replacement from time to time.

**Risks related to insurance**

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

**Intellectual property rights claims may adversely affect operations**

Third parties may assert intellectual property claims relating to the holding and transfer of cryptocurrency and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the cryptocurrency network's long-term viability or the ability of end users to hold and transfer cryptocurrency may adversely affect an investment in the Company. As a result, an intellectual property claim could adversely affect the business and affairs of the Company.

**The Company's business strategy presents risks**

As part of the Company's business strategy, it has sought and will continue to seek new opportunities in the cryptocurrency sector. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates, negotiate acceptable arrangements or other partnerships as well as arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately result in favorable outcomes for the Company. The Company may be subject to growth-related risks. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**Liquidity and Additional Fund Requirements**

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the reduction, delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Common Shares. In addition, from

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time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

**Conflicts of Interest**

Certain of the officers and directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the Board, any director in a conflict will disclose his or her interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Dividends**

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on the Company's shares will be made by the Board of Directors.

**Tax loss carryforwards**

The Company has tax loss carryforwards of approximately \$24 million that relate to the business it carried on historically, which are available to reduce future income taxes payable. While Management believes that the current business should be able to utilize such tax loss carryforwards to reduce taxes payable in the future, there can be no certainty that Canada Revenue Agency will not reject such use by the Company. If Canada Revenue Agency is successful in denying the use of tax loss carryforwards, the Company will pay more in tax in the future, reducing its cash flows and net income.

**Litigation can be costly and result in distractions from the business**

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favorably, it may have a material adverse effect on the Company. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand. Securities litigation as well as potential future proceedings could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on the Company's financial position.

**Competition with other cryptocurrency companies**

The Company will compete with other cryptocurrency and distributed ledger technology businesses. The Company's operations, investment strategies and profitability may be adversely affected by competition from other cryptocurrencies or financial vehicles. Market, financial, and other conditions beyond the Company's control could also adversely impact the business and affairs of the Company. Further, the algorithm for cryptocurrencies may change, resulting in the Company losing its competitive advantage.