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 months and year ended December 31, 2018.

This document should be read in conjunction with the information contained in the Company's audited consolidated financial statements and related notes for the year ended December 31, 2018 (the "2018 Annual 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, April 30, 2018, being the date the Company's board of directors (the "Board") approved this MD&A and the Q4 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.

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 "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 $28.92 million. In connection with the 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.

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.

Convertible Debenture

On June 21, 2018, the Company issued 34,500 debenture units (the "Units") for proceeds of $34,500,000. Each Unit is comprised of $1,000 principal amount of senior unsecured extendible non-redeemable convertible debentures ("Convertible Debentures") and 1,000 warrants ("Warrants"). Each unit entitles the holder to a conversion rate of 2,000 common 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, are unsecured and mature in 24 months. The fair value of the Convertible Debentures was recorded at $25,543,181, discounted at 20% and is net of transaction costs. The accretion expense for the year ended December 31, 2018 was $1,967,302. Interest expense incurred for the year ended December 31, 2018, was $1,487,333. Interest paid for the year ended December 31, 2018 for Convertible Debentures was $1,487,333.

The residual value of the warrants and the equity conversion feature was estimated at $1,606,934 and $4,302,285.

On closing, the Company paid the agent: (i) a commission of $1,380,000 representing 4% of the gross proceeds; (ii) agent expenses and legal fees of $260,291 and (iii) 1,380 broker warrant units ("Broker Warrant Units"). Each Broker Warrant Unit is priced at $1,000 per unit and is exercisable into a Unit. The estimated fair value of the Broker Warrants on issuance was $1,133,923 which was based on the fair value of the underlying conversion rights as follows:

- The 1,000 warrants per Unit were determined to be valued at $351,996 using the Black-Scholes pricing model using the following assumptions: Market price - $0.45; Annualized volatility – 130%; Risk-free interest rate – 1.82%; Dividend yield – 0%; and Expected life – 2 years. This amount was treated as equity.

- The option to purchase the debentures was determined to be a derivative liability. The fair value at initial recognition was determined to be $781,927 based on the resulting option to convert into 2,000 common shares. The fair value was determined using the Black-Scholes pricing model using the following assumptions: Market price - $0.45; Annualized volatility – 130%; Risk-free interest rate – 1.82%; Dividend yield – 0%; and Expected life – 2 years.

As at December 31, 2018, the Company revalued the derivative relating to the option to purchase the debentures to the estimated fair value of $49,120. The Company recorded a decrease in the estimated fair value of the derivative warrant liability of $732,807 for the year ended December 31, 2018 (2017 - $nil). The following assumptions were used to estimate the fair value of the derivative warrant liability at December 31, 2018: Market price – $0.09; Annualized volatility – 130%; Risk-free interest rate – 1.82%; Dividend yield – 0%; and Expected life – 1.47 years.

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 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 12 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 12 months following the closing date of June 21, 2018.

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 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").

The Promissory Note is a two-year secured promissory note in favor of the vendor of 9376-9974 Quebec Inc. ("828 L.P."). The Promissory Note bears interest at 8% per annum with interest payments due monthly on the 25th 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 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 supports 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 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. According to confirmation from Hydro-Québec, the electricity required to operate the 828 assets forms part of the 120 MW block of electricity previously allocated and approved for blockchain use in the Province of Quebec.

The Company acquired net assets with a fair value of $27,724,368, resulting in goodwill of $17,733,991. The business combination resulted in a deferred tax liability in the amount of $1,682,151 directly related to the fair value adjustment of the mining infrastructure acquired.

As of December 31, 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.

Colocation 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. Colocation is an important step in the Company's diversification strategy, as this revenue stream is not subject to cryptocurrency price fluctuations.

Change of auditor

On September 13, 2018, the Company announced that effective September 12, 2018, Collins Barrow Calgary LLP ("Collins Barrow") had tendered its resignation at the request of the Company and MNP LLP ("MNP") was appointed as the successor auditor of the Company. The Company made this change to leverage MNP's extensive experience and knowledge of the blockchain and cryptocurrency industries in Canada.

In accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), the Company has filed a Notice of Change of Auditor. To the Company's knowledge, there were no "reportable events" as such term is defined in NI 51-102 between the Company and Collins Barrow.

Settlement of Promissory Note

On November 5, 2018, the Company announced that it had entered into a settlement and release agreement (the "Settlement Agreement") with the vendor of the 828 Acquisition, which included the conversion of $7.5 million of debt owed to 828 L.P. into common shares of the Company.

Under the terms of the Settlement Agreement, the Company (i) issued 75,000,000 common shares of the Company valued at $7.5 million to 828 L.P. based on a price of $0.10 per common share, and (ii) made a cash payment to 828 L.P. of $2.5 million, in exchange for the cancellation of the Promissory Note in the amount of $10 million.

2017 Annual General Meeting

On December 14, 2018, the Company held its annual and special meeting of holders of common shares and the special meeting of holders of preferred shares in Toronto. An information circular dated November 20, 2018 was mailed to shareholders in advance of the meetings.

At the special meeting of holders of preferred shares, preferred shareholders approved an amendment to the articles of the Company to amend the terms of the series 1 preferred shares, to (i) remove the restriction that no holder of the series 1 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 of the Company and (ii) to grant the Company the right to convert the series 1 preferred shares to common shares at its sole discretion.

At the annual and special meeting of holders of common shares of the Company, the above resolution was also approved, along with the following additional resolutions:

- Resolution to appoint MNP LLP as auditors for the Company for the ensuing year;
- Resolution to elect John Kennedy FitzGerald, Dale Johnson, Thomas English and Gino DeMichele as directors of the Company;
- Special resolution to approve the continuance of the Company from Alberta to Ontario;
- Resolution to approve a new general by-law of the Company;
- Special resolution to amend the articles of the Company to consolidate the common shares of the Company on the basis of a ratio within the range of one post-consolidation common share for every ten pre-consolidation common shares (10:1) to one post-consolidation common share for every fifty pre-consolidation common shares (50:1), with the ratio to be selected and implemented at the discretion of the board of directors of the Company;
- Special resolution to approve an amendment to the articles of the Company to change the name of the Company from Vogogo Inc. to Cryptologic Corp.;
- Resolution to approve the Company's new stock option plan;
- Resolution to approve the Company's new deferred share unit plan;
- Resolution to approve the Company's new performance and restricted share unit plan; and
- Special resolution to amend the articles of the Company to delete the Company's series 1 preferred shares following the conversion of the series 1 preferred shares to common shares.

Warrant exercise

During the year ended December 31, 2018, the Company issued 44,080,000 Common Shares for cash consideration of $5,730,400 as a result of the exercise of previously issued warrants. Initially the 44,080,000 warrants were valued at $1,515,948 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 year ended December 31, 2018, the Board of Directors agreed to issue stock options under the Company's plan to various consultants, key management, and employees. The options granted to key management and employees shall vest and become exercisable at 33.33% over a three-year period. A certain consultant received immediate vesting of their grant while another consultant' options will vest 25% quarterly over one year. All options expire five years from the date of their grant.

On November 22, 2018, the Company cancelled an aggregate of 18,485,951 stock options (the "Cancelled Options") previously held by certain officers, directors, employees and consultants of the Company. The Cancelled Options represent all of the previously outstanding option grants issued under the Company's stock option plan at that time. The Cancelled Options were voluntarily surrendered by the holders thereof for no consideration. On December 14, 2018, the Board of Directors authorized and approved the granting of 6,500,000 options to the CEO of the Company.

Conversion of preferred shares

During the year ended December 31, 2018, a total of 25,764,258 Preferred Shares with a recorded value of $5,731,924 were converted to Common Shares at the discretion of certain preferred shareholders.

On December 31, 2018, the Company converted a total of 104,235,743 Preferred Shares with a recorded value of $23,189,929, representing all of the outstanding preferred shares, to common shares as a result of the passing of a resolution passed at the Company's 2017 Annual General Meeting.

Impairment of mining equipment, infrastructure and goodwill

At December 31, 2018, the Company conducted a valuation of the mining assets, infrastructure and goodwill and determined that an impairment was required for both the Crypto 205 and 828 Acquisitions. It was determined that in order to carry the assets at their fair value, an impairment of $33,333,408 for Crypto 205 and an impairment of $32,125,385 for 828 was recorded. In total, $65,458,793 of impairments were recorded and allocated as $22,415,565 to mining equipment and infrastructure and $43,043,229 of goodwill (see note 7 and 18 of the audited financial statements for the year ended December 31, 2018).

SUBSEQUENT DEVELOPMENTS

Change of auditor

On January 15, 2019, the Company announced that effective January 14, 2018, MNP LLP ("MNP") had tendered its resignation and Dale Matheson Carr-Hilton Labonte LLP was appointed as the successor auditor of the Company. The Company made this change as a result of a change in industry focus by MNP.

In accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), the Company filed a Notice of Change of Auditor. To the Company's knowledge, there were no "reportable events" as such term is defined in NI 51-102 between the Company and MNP.

Share consolidation

On February 5, 2019, the Company announced that its Board of Directors had authorized the implementation of a share consolidation of the Company's common shares on the basis of one post-consolidation Common Share for every 30 pre-consolidation Common Shares, effective February 14, 2019 (the "Effective Date").

The approximately 381.6 million Common Shares of the Company were reduced to approximately 12.7 million Common Shares, as approved by shareholders at the Company's annual and special meeting held on December 14, 2018. No fractional shares were issued and any fractions of a share were rounded down to the nearest whole number of Common Shares. The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding convertible securities were proportionately adjusted upon consolidation. Loss per share has been adjusted to reflect the share consolidation.

Termination of colocation agreement

On April 30, 2019, the Company announced that a subsidiary of the company, 9376-9974 Quebec Inc., has acquired 6,598 Antminer S9 cryptocurrency mining machines as a result of the termination of the colocation agreement previously announced on July 5, 2018. As consideration for the early termination of the colocation agreement, in addition to the Company receiving the Miners, the Company retained the security deposit it was paid pursuant to the colocation agreement, and the Bitcoin mined by the Miners during the period the termination agreement was negotiated. The termination agreement represents settlement of all obligations under the colocation agreement.

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 months and year ended December 31, 2018 and 2017, is set forth below.

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Revenue	$ 7,139,311	$ —	$ 18,079,005	$ —
Net loss and comprehensive loss	(18,924,183)	(521,495)	(74,252,959)	(1,677,489)
Adjusted EBITDA	932,018	(190,469)	5,018,658	(992,207)
Adjusted EBITDA margin	13%	—	28%	—
Total assets	17,973,697	12,836,319	17,973,697	12,836,319
Total liabilities	29,710,012	224,823	29,710,012	224,823
Basic and diluted net loss and comprehensive loss per common share	$ (2.31)	$ (0.22)	$ (12.98)	$ (0.61)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended December 31, 2018 and 2017

	Three Months Ended December 31,		
	2018	2017	Variance
Revenue	7,139,311	—	7,139,311
Cost of revenue	6,598,673	—	6,598,673
General and administrative	1,072,952	190,469	882,483
Impairment	14,499,902	—	14,499,902
Acquisition related costs	18,007	—	18,007
Fair value loss on re-measurement of digital assets	2,116,364	—	2,116,364
Interest (expense) income, net	(2,674,110)	45,017	(2,719,127)

Revenue

During the three months ended December 31, 2018, the Company earned $5.95 million in revenue from the mining of Bitcoin and $1.19 million from providing colocation services to a third party miner, for total revenue of $7.14 million. During the three months ended December 31, 2018, the Company mined 918.35 Bitcoins. The average price for Bitcoin during the period was $6,826 (US$5,178), down $2,088 or 23% from $8,914 (US$6,821) as compared to the three months ended September 30, 2018.

Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter nor in the comparable period for 2017.

Cost of revenue

Cost of revenue is comprised of site operating costs and depreciation. Site operating costs include electricity costs, contractors' fees, and general facility operating costs. The cost of mining a Bitcoin, calculated by dividing site operating costs by the number of Bitcoin mined, for the three months ended December 31, 2018, was $4,686, up $45 or 1% from $4,641 for the three months ended September 30, 2018. The increase in the cost of mining a Bitcoin is attributable to the increase in network difficulty during the period as compared to the three months ended September 30, 2018. Average network difficulty for the three months ended December 31, 2018 was 6.57 trillion as compared to 6.22 T for the three months ended September 30, 2018, an increase of 5.5%.

As network hashrate increases, there is greater competition for fixed block rewards resulting in less Bitcoin mined per individual miner while mining costs per miner remain flat. Network hashrate for Bitcoin is driven by the number of mining machines and the relative hashing power of these machines mining Bitcoin. Bitcoin is designed to add a new block to the blockchain every 10 minutes on average. In order to ensure that the network produces a new block at a steady average rate, the software is set to automatically adjust the difficulty up or down, which results in lower or higher difficulty, respectively.

Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter nor in the comparable period for 2017. As a result, cost of revenue was $nil.

General and administrative

The increase in general and administrative expense for the three months ended December 31, 2018 as compared to the prior year period was primarily the result of (i) increased salary expense including the addition of three executive officers, (ii) increased legal and professional fees for general corporate matters and various public filing fees, (iii) increased consulting fees in connection with corporate brand development, and (iv) increased office and administrative costs as the Company established a corporate head office.

Acquisition related costs

During the three months ended December 31, 2018, the Company incurred certain one-time costs directly related to the 828 Acquisition. These costs relate to certain legal and professional fees post completion of the transaction.

Fair value loss on re-measurement of digital assets

Fair value loss on re-measurement of digital assets represents the unrealized losses on adjusting the value of the digital assets on hand to the market value on the reporting date and the realized losses on the sale of Bitcoin previously recorded at their mined value. As at December 31, 2018, the price of Bitcoin was $5,106 (US$3,743) compared to the average price of Bitcoin for the period of $6,826 (US$5,178).

Prior to April 3, 2018, the Company was inactive and did not mine digital assets in the comparable period for 2017.

Interest income (expense), net

During the three months ended December 31, 2018, the Company incurred net interest expenses of $2.67 million compared to net interest income of $45,017 for the prior year period, resulting in a variance of ($2.72 million). During the three months ended December 31, 2018, interest expense relates to (i) interest expenses paid on both the Convertible Debentures and Promissory Note and (ii) interest accretion on the fair value adjustment of Convertible Debentures and Promissory Note.

Comparison of the Year Ended December 31, 2018 and 2017

	Year Ended December 31,		
	2018	**2017**	**Variance**
Revenue	18,079,005	—	18,079,005
Cost of revenue	17,027,702	—	17,027,702
General and administrative	2,759,497	992,207	1,767,290
Impairment	65,458,793	—	65,458,793
Acquisition related costs	414,779	—	414,779
Fair value loss on re-measurement of digital assets	2,748,829	—	2,748,829
Interest (expense) income, net	(4,209,943)	85,833	(4,295,776)

Revenue

During the year ended December 31, 2018, the Company earned $15.76 million in revenue from the mining of Bitcoin and $2.32 million from providing colocation services to a third party miner, for total revenue of $18.08 million. From April 3 through to December 31, 2018 the Company mined 1,978.45 Bitcoins. The average price for Bitcoin during this period was $8,587 (US$6,590).

Prior to April 3, 2018, the Company was inactive and did not generate revenues in the preceding quarter nor in the comparable period for 2017.

Cost of revenue

Cost of revenue is comprised of site operating costs and depreciation. Site operating costs include electricity costs, contractors' fees, and general facility operating costs. The cost of mining a Bitcoin, calculated by dividing site operating costs by the number of Bitcoin mined, for the year ended December 31, 2018 was $4,543. This compares to an average price of Bitcoin of $8,587 (US$6,590) for the period April 3 to December 31, 2018.

Prior to April 3, 2018, the Company was inactive and did not generate revenues in preceding quarter or in the comparable period for 2017. As a result, the corresponding cost of revenue is $nil.

General and administrative

The increase in general and administrative expense for the nine months ended September 30, 2018 as compared to the prior year period was primarily the result of (i) increased salary expense including the addition of three executive officers, (ii) increased legal and professional fees for general corporate matters and various public filing fees, (iii) increased consulting fees in connection with corporate brand development, (iv) increased office and administrative costs as the Company established a corporate head office and (v) increased travel and entertainment costs to promote and market the Company.

Impairment

The Company conducted a valuation of the mining assets, infrastructure and goodwill and determined that an impairment was required for both the Crypto 205 and 828 Acquisitions. It was determined that in order to carry the assets at their fair value, an impairment of $33,333,408 for Crypto 205 and an impairment of $32,125,385 for 828 was recorded. In total, $65,458,793 of impairments were recorded and allocated as $22,415,565 to mining equipment and infrastructure and $43,043,229 of goodwill.

Acquisition related costs

During the year ended December 31, 2018, the Company incurred certain one-time costs directly related to the 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 losses on adjusting the value of the digital assets on hand to the market value on the reporting date and the realized losses on the sale of Bitcoin previously recorded at their mined value. As at December 31, 2018, the price of Bitcoin was $5,106 (US$3,743) compared to the average price of Bitcoin for the period April 3 to December 31, 2018, of $8,587 (US$6,590).

Prior to April 3, 2018, the Company was inactive and did not mine digital assets in the comparable period for 2017.

Interest income (expense), net

During the year ended December 31, 2018, the Company incurred net interest expense of $4.21 million compared to net interest income of $85,833 for the prior year period, resulting in a variance of ($4.3 million). During the year ended December 31, 2018, interest expenses related to (i) interest accretion on the fair value adjustment of Convertible Debentures and Promissory Note, and (ii) interest expenses paid on both the Convertible Debentures and Promissory Note.

Prior to the nine months ended September 30, 2018, the Company did not have Convertible Debentures or the Promissory Note 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 December 31,		Year Ended December 31,	
	2018	**2017**	**2018**	**2017**
Net loss and comprehensive loss	**$ (18,924,183)**	**$ (521,495)**	**$(74,252,959)**	**$(1,677,489)**
Interest expenses	2,674,110	559	4,275,329	4,037
Interest income	—	(45,576)	(65,386)	(89,870)
Income tax recovery	(2,869,412)	—	(3,304,681)	—
Depreciation	1,598,719	—	6,861,239	—
EBITDA	**(17,520,766)**	**(566,512)**	**(66,486,458)**	**(1,763,322)**
Stock-based compensation	2,143,306	377,126	3,087,170	761,384
Acquisition-related costs	18,007	—	414,779	—
Impairment	14,499,902	—	65,458,793	—
Foreign exchange loss	(324,795)	(1,083)	(204,455)	9,731
Fair value loss on re-measurement of digital assets	2,116,364	—	2,748,829	—
Adjusted EBITDA	**$ 932,018**	**$ (190,469)**	**$ 5,018,658**	**$ (992,207)**
Revenue	7,139,311	—	18,079,005	—
Adjusted EBITDA	932,018	(190,469)	5,018,658	(992,207)
Adjusted EBITDA margin	**13%**	**—**	**28%**	**—**

SUMMARY OF QUARTERLY RESULTS

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

	For the three months ended (unaudited)			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Revenue	$ —	$ —	$ —	$ —
Net loss and comprehensive loss	(748,713)	(203,073)	(204,208)	(521,495)
Total assets	7,773,903	7,010,366	6,935,495	12,836,319
Total liabilities	782,033	93,982	95,078	224,823
Basic and diluted loss and comprehensive loss per common share	$ (0.31)	$ (0.08)	$ (0.08)	$ (0.22)

	For the three months ended (unaudited)			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Revenue	$ —	$ 2,709,176	$ 8,230,518	$ 7,139,311
Net loss and comprehensive loss	(152,778)	(51,738,445)	(3,437,552)	(18,924,184)
Total assets	13,008,741	66,663,808	64,847,400	17,973,697
Total liabilities	147,023	46,285,348	47,297,695	29,710,012
Basic and diluted loss and comprehensive loss per common share	$ (0.03)	$ (10.44)	$ (0.58)	$ (2.31)

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 profitably mine cryptocurrencies and then exchange the cryptocurrencies for fiat currency. As at December 31, 2018, the Company had a working capital balance of $2.24 million (2017 – $12.61 million) 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 December 31, 2018:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Convertible Debenture[1]	38,609,333	2,798,333	35,811,000	—	—
Lease obligations	9,100,238	2,087,970	4,175,940	2,836,328	—
Total	**$47,709,572**	**$ 4,886,303**	**$39,986,940**	**$ 2,836,328**	**$ —**

[1]Includes principal and interest.

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. As Bitcoin 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 December 31, 2018 in Canadian dollar terms:

	USD
Cash	$ 680
Accounts payable and accrued liabilities	$ (200,637)

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)**
USD	$ (19,996)

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 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 December 31, 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 $156,229.

Credit risk

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

The Company's accounts receivable of $834,716 consist of unpaid colocation services that have been provided. The Company directed the miners of the colocation customer to wallets controlled by the Company as collateral for settlement of the outstanding accounts receivable balance. At December 31, 2018, 113.55 Bitcoins with a carrying value of $579,783 were recorded as a liability in accounts payable and accrued liabilities. As a result, the Company's credit risk has been partially mitigated.

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 will be 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 December 31, 2018 and 2017

The table below outlines a summary of cash inflows and outflows by activity for the three months ended December 31, 2018 and 2017.

	Three Months Ended December 31,	
	2018	2017
Net cash provided by (used in) operating activities	$ 2,915,318	$ (38,446)
Net cash (used in) provided by financing activities	$ (3,999,556)	$ 5,915,448
Net cash used in investing activities	$ (116,328)	$ —

Cash provided by (used in) Operating Activities

The Company generated cash inflows from operating activities for the three months ended December 31, 2018. The Company's cash inflows from operating activities relate to the sale of Bitcoin in the period, partially offset by (i) cash outflows related to mining costs incurred in the period, (ii) settlement of payables primarily related to legal and professional fees accumulated in prior quarters, (iii) uncollected colocation revenue, and (iv) uncollected sales tax receivable.

Cash outflows from operations for the three months ended December 31, 2017 relate to general and administrative costs of operating the dormant company.

Cash used in (provided by) Financing Activities

During the three months ended December 31, 2018, the Company's cash outflows from financing activities related to cash paid on the settlement of the Promissory Note and interest paid on the Convertible Debenture. During the three months ended December 31, 2017, the Company received proceeds from the issuance of units.

Cash used in Investing Activities

During the three months ended December 31, 2018, the Company's cash outflows from investing activities related to the purchase of certain infrastructure upgrades. During the three months ended December 31, 2017, the Company did not have any investing activity.

Comparison of the Year Ended December 31, 2018 and 2017

The table below outlines a summary of cash inflows and outflows by activity for the year ended December 31, 2018 and 2017.

	Year Ended December 31,	
	2018	2017
Net cash provided by (used in) operating activities	$ (5,692,847)	$ (1,028,355)
Net cash provided by financing activities	$ 34,323,723	$ 5,915,448
Net cash used in investing activities	$ (40,260,855)	$ —

Cash used in Operating Activities

The Company generated cash outflows from operating activities for the year ended December 31, 2018 and 2017. The Company's cash outflow from operating activities increased for the year ended December 31, 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. These cash outflows were partially offset by the sale of Bitcoin and funds collected from colocation revenue.

Cash provided by Financing Activities

During the year ended December 31, 2018, the Company's cash inflows from financing activities related to (i) proceeds from the issuance of the Convertible Debentures and (ii) proceeds from issuance of Common Shares in relation to exercised warrants. These inflows were partially offset by interest paid on the Convertible Debentures and Promissory Note. During the year ended December 31, 2017, the Company received proceeds from the issuance of units.

Cash used in Investing Activities

During the year ended December 31, 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 205 Acquisition, and (iii) purchase of mining equipment, infrastructure and office equipment. These cash outflows were partially offset by interest earned on short-term investments. During the year ended December 31, 2017, the Company did not have any investing activity.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Company's 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 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.

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

Assets are deemed to be impaired when the carrying value 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.

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 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 warrants, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for stock options and warrants are disclosed in note 13 for the consolidated financial statements for the year ended December 31, 2018.

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 ("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. 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:

Mining equipment	3 years
Supporting infrastructure	5 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 is 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;
- 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 modeling 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

Accounting for business combinations

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired, and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Company's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the fair value of the consideration transferred is immediately recognized in net earnings.

The consideration transferred by the Company to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred, and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition related costs are expensed as incurred.

Revenue recognition

Bitcoin mining

Revenue is comprised of the fair value of consideration received for the provision of services in the ordinary course of business. The Company derives its revenue through the receipt of Bitcoin in exchange for providing successful "mining" services to the blockchains corresponding to various Bitcoin. Mining is the process by which transactions are verified and added to a blockchain.

Revenue is recognized in accordance with IFRS 15, Revenue from Contracts with Customers. Bitcoin 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 Bitcoin, is received for successful mining services rendered. Revenue earned from Bitcoin mining activities is recognized at the fair value of the Bitcoin 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. During the year ended December 31, 2018, the Company recognized $15,758,349 (2017 - $nil) in revenue from Bitcoin mining.

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

Colocation services

The Company earns colocation revenue from one customer at one of its mining facilities in exchange for hosting the customers cryptocurrency mining equipment. Colocation revenue is recognized in profit or loss on a straight-line basis over the term of the customer contract. The customer is invoiced monthly in advance and income is recognized on a straight-line basis.

Digital assets

Digital assets are generated from the Company's mining 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 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 loss and comprehensive 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 tradeable digital assets, and this information and all related databases are accessible to the Company.

Equipment

Equipment is 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 equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

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

Mining servers	3 years	straight-line
Supporting infrastructure	5 years	straight-line
Office equipment	5 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 loss and comprehensive loss.

Refer to note 3 of the consolidated financial statements for the year ended December 31, 2018 of the consolidated financial statements for the year ended December 31, 2018 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.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company retrospectively adopted IFRS 9 on January 1, 2018. Due to the short-term and/or liquid nature of its financial assets and financial liabilities, the adoption had no impact on the amounts recognized in the Company's consolidated financial statements for the year-ended December 31, 2018.

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.

Income taxes

The Company 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 are 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.

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, 2018 and accordingly, have not been applied in preparing these 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. 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 year ended December 31, 2018 and 2017 included the following:

	2018	2017
Salaries and director remuneration	$ 700,089	$ 187,889
Stock-based compensation expense - directors and officers	2,471,087	719,011
	$ 3,171,176	**$ 906,900**

As at December 31, 2018, included in accounts payable and accrued liabilities was $107,256 (December 31, 2017 – $69,751) of payments owed to key management personnel. As at December 31, 2018, $39,794 of the amount included in accounts payable and accrued liabilities relate to salaries payable, and was settled subsequent to year end through the transfer of Bitcoin.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 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:

	As at April 30, 2019
Common shares	12,719,162
Stock options	216,667
Share purchase warrants	1,818,667
Total Common Shares on a fully-diluted basis	**14,754,495**

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.

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 or 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 meet 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 changes 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 he 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, 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.

The Company is exposed to Bitcoin 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 typically is associated with growth stocks and other assets with valuations, as determined by the investing public, that account for anticipated future appreciation in values. 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, value fluctuations may be more likely 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.

An increase in electricity rates could occur.

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.

The Company is 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 the 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.

The Company is exposed to 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. An increase in interest and demand for cryptocurrencies could lead to a shortage of mining hardware. Equipment in the datacenters will require replacement from time to time.

The Company faces 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.

The Company may not be able to satisfy its liquidity and additional financing 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 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.

The Company may be exposed to 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.

There is no assurance as to payment of 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 may not be realized.

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 ("CRA") will not reject such use by the Company. If CRA 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.

The Company operates in competition with other cryptocurrency companies.

The Company competes 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 algorithms for cryptocurrencies may change, resulting in the Company losing its competitive advantage.

There is income tax and commodity tax uncertainty.

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws by the CRA with respect to commodity taxes. The Company pays Harmonized Sales Tax ("HST") for purchases in Ontario as well as Goods and Services Tax ("GST") and Quebec Sales Tax ("QST") for its purchases in Quebec, then claims the corresponding input tax credits from the CRA. There is uncertainty regarding commodity taxation of cryptocurrency mining businesses and the CRA may assess the Company differently from the position adopted. This could result in withholding of HST, GST and/or QST refunds due to the Company, which would reduce the working capital and cash flows of the Company.

Increased network difficulty may render cryptocurrency mining unprofitable.

The Bitcoin network difficulty is the measure of how difficult it is to mine a new block and earn the block reward. The Bitcoin network targets the creation of a new block every ten minutes. The difficulty is recalculated every 2016 blocks, or every two weeks, to a value such that the previous 2016 blocks would have been generated in exactly two weeks had everyone been mining at this difficulty. As more miners join, the rate of block creation will increase. As the rate of block generation goes up, the difficulty rises to compensate, which then reduces the rate of block creation. Therefore, as more miners join the Bitcoin network, the increase in network difficulty results in the Company earning fewer Bitcoins as block rewards for its mining activities, although the cost of mining remains unchanged. This could have a significant negative impact on the profitability of the Company.