

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 ended March 31, 2019.

This document should be read in conjunction with the information contained in the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2019 (the "Q1 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, May 29, 2019, being the date the Company's board of directors (the "Board") approved this MD&A and the Q1 2019 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.

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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 66 common shares per \$1,000 principal amount of Convertible Debentures at a value of \$15.00 per share and 33 warrants exercisable for 33 shares at a price of \$21.00 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 three months ended March 31, 2019 was \$1,672,188 (December 31, 2018 - \$1,967,302). Interest expense incurred for the three months ended March 31, 2019 was \$690,000 (December 31, 2018 - \$1,487,333). Interest paid for the three months ended March 31, 2019 was \$nil (December 31, 2018 - \$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 - \$13.50; 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 - \$13.50; Annualized volatility - 130%; Risk-free interest rate - 1.82%; Dividend yield - 0%; and Expected life - 2 years.

As at March 31, 2019, the Company revalued the derivative relating to the option to purchase the debentures to the estimated fair value of \$35,641. The Company recorded a decrease in the estimated fair value of the derivative warrant liability of \$13,479 for the three months ended March 31, 2019 (December 31, 2018 - \$732,807). The following assumptions were used to estimate the fair value of the derivative warrant liability at March 31, 2018: Market price - \$2.50; Annualized volatility - 130%; Risk-free interest rate - 1.82%; Dividend yield - 0%; and Expected life - 1.23 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 \$27.00, the Company may force conversion at \$15.00, 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 \$33.00 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. 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").

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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.

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 March 31, 2019, 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.

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.

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.

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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.

During the three months ended, there were \$nil warrants exercised.

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's options will vest 25% quarterly over one year. All options expire five years from the date of their grant.

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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 notes 8 and 17 of the Q1 2019 Financial Statements).

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.

SUBSEQUENT DEVELOPMENTS

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.

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Non-IFRS Measures

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

Adjusted EBITDA

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

Adjusted EBITDA Margin

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

Adjusted EBITDA per share

The Company defines Adjusted EBITDA per share as Adjusted EBITDA divided by the weighted average number of shares outstanding.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three months ended March 31, 2019 and 2018, and the year ended December 31, 2018, is set forth below.

	Three Months Ended March 31,		Year ended December 31,
	2019	2018	2018
Revenue	\$ 5,339,210	\$ —	\$ 18,079,005
Net loss and comprehensive loss	(3,124,358)	(152,778)	(74,252,959)
Adjusted EBITDA	907,318	(122,165)	5,018,658
Adjusted EBITDA margin	17%	—	28%
Adjusted EBITDA per share	0.07	(0.03)	0.84
Total assets	23,425,111	17,973,697	17,973,697
Total liabilities	38,235,186	29,710,012	29,710,012
Basic and diluted net loss and comprehensive loss per common share	\$ (0.25)	\$ (0.03)	\$ (12.98)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended March 31, 2019 and 2018

	Three Months Ended March 31,		
	2019	2018	Variance
Revenue	5,339,210	—	5,339,210
Cost of revenue	5,256,032	—	5,256,032
General and administrative	612,493	199,567	412,926
Acquisition related costs	75,203	77,402	(2,199)
Fair value loss on re-measurement of digital assets	(46,070)	—	(46,070)
Interest (expense) income, net	(2,570,585)	47,067	(2,617,652)

Revenue

During the three months ended March 31, 2018, the Company earned \$5.34 million in revenue from the mining of Bitcoin. During the three months ended March 31, 2019, the Company mined 1,056.23 Bitcoins. The average price

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for Bitcoin during the period was \$5,054 (US\$3,799), down \$1,772 or 26% from \$6,826 (US\$5,178) as compared to the three months ended December 31, 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 2018.

Cost of revenue

Cost of revenue is comprised of site operating costs and depreciation. Site operating costs include electricity costs, salaries, 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 March 31, 2019, was \$3,712, down \$974 or 21% from \$4,686 for the three months ended December 31, 2018. The decrease in the cost of mining a Bitcoin is attributable to the adoption of IFRS 16 Leases which classifies the present value of lease payments as depreciation expense against right-of-use assets. The cash amount of lease obligations related to mining was \$490,000 which would account for an increase in site operating costs of \$132 per coin. Further, average network difficulty for the three months ended March 31, 2019 was 5.97 trillion as compared to 6.57 trillion for the three months ended December 31, 2018, a decrease of 9.15%.

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 2018. As a result, cost of revenue was \$nil.

General and administrative

The increase in general and administrative expense for the three months ended March 31, 2019 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 office and administrative costs as the Company established a corporate head office, (iii) increased travel and entertainment costs, partially offset by decreased legal and professional fees for general corporate matters and decreased consulting fees.

Acquisition related costs

During the three months ended March 31, 2019, the Company incurred certain one-time costs directly related to acquisition related activity. These costs relate to certain legal and professional fees. During the three months ended March 31, 2018, the Company incurred certain one-time costs directly related to the acquisition of Crypto 205. These costs relate to certain legal and professional fees.

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 March 31, 2019, the price of Bitcoin was \$5,486 (US\$4,105) compared to the average price of Bitcoin for the period of \$5,054 (US\$3,799).

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

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Interest income (expense), net

During the three months ended March 31, 2019, the Company incurred net interest expenses of \$2.57 million compared to net interest income of \$47,067 for the prior year period, resulting in a variance of (\$2.62 million). During the three months ended March 31, 2019, interest expense relates to (i) interest expenses on the Convertible Debentures, (ii) interest accretion on the fair value adjustment of Convertible Debentures, and (iii) interest accretion related to the Company's lease obligation liability.

RECONCILIATIONS

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2017</u>
Net loss and comprehensive loss	\$ (3,124,358)	\$ (152,778)
Interest expenses	2,570,585	674
Interest income	—	(47,741)
Depreciation	1,356,904	—
EBITDA	803,130	(199,845)
Stock-based compensation	50,597	—
Acquisition-related costs	75,203	77,402
Foreign exchange loss	37,937	278
Unrealized fair value gain on derivative liability	(13,479)	—
Fair value loss on re-measurement of digital assets	(46,070)	—
Adjusted EBITDA	\$ 907,318	\$ (122,165)
Revenue	5,339,210	—
Adjusted EBITDA	907,318	(122,165)
Adjusted EBITDA margin	17%	—

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SUMMARY OF QUARTERLY RESULTS

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

	For the three months ended (unaudited)			
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018
Revenue	\$ —	\$ —	\$ —	\$ —
Net loss and comprehensive loss	(203,073)	(204,208)	(521,495)	(152,778)
Total assets	7,010,366	6,935,495	12,836,319	13,008,741
Total liabilities	93,982	95,078	224,823	147,023
Basic and diluted loss and comprehensive loss per common share	\$ (0.08)	\$ (0.08)	\$ (0.22)	\$ (0.03)

	For the three months ended (unaudited)			
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Revenue	\$ 2,709,176	\$ 8,230,518	\$ 7,139,311	\$ 5,339,210
Net loss and comprehensive loss	(51,738,445)	(3,437,552)	(18,924,184)	(3,124,358)
Total assets	66,663,808	64,847,400	17,973,697	23,425,111
Total liabilities	46,285,348	47,297,695	29,710,012	38,235,186
Basic and diluted loss and comprehensive loss per common share	\$ (10.44)	\$ (0.58)	\$ (2.31)	\$ (0.25)

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 March 31, 2019, the Company had a working capital balance of \$664,575 (December 31, 2018 – \$2.23 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 March 31, 2019:

	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	8,578,246	2,087,970	4,175,940	2,314,336	—
Total	\$47,187,579	\$ 4,886,303	\$39,986,940	\$ 2,314,336	\$ —

¹Includes principal and interest.

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Financial instruments and risk management

The Company is exposed to various risks including market risk, liquidity risk, and other risks related to its current concentration in a single asset, Bitcoin. Investing in Bitcoin is highly speculative and volatile. The investment objective of the Company is to track the market price of Bitcoin, less the Company's liabilities and expenses, by investing the assets of the Company in Bitcoin. 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	\$ 774

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	\$ 77

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.

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At March 31, 2019, 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 \$122,924.

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 March 31, 2019, 113.55 Bitcoins with a carrying value of \$622,938 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, with the exception of lease obligation liability, 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 March 31, 2019 and 2018

The table below outlines a summary of cash inflows and outflows by activity for the three months ended March 31, 2019 and 2018.

	March 31,	
	2019	2018
Net cash provided by (used in) operating activities	\$ 288,810	\$ (315,324)
Net cash provided by financing activities	\$ (521,951)	\$ 403,000
Net cash used in investing activities	\$ —	\$ —

Cash provided by (used in) Operating Activities

The Company generated cash inflows from operating activities for the three months ended March 31, 2019. 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, and (iii) uncollected sales tax receivable.

Cash outflows from operations for the three months ended March 31, 2018 relate to general and administrative costs of operating the dormant company as well as the accumulation of unpaid legal fees in connection with the Crypto 205 transaction and increase in prepaid expenses for the year.

Cash used in (provided by) Financing Activities

During the three months ended March 31, 2019, the Company's cash outflows from financing activities related to cash paid on the settlement of lease obligations. During the three months ended March 31, 2018, the Company received proceeds from the exercise of warrants.

Cash used in (provided by) Investing Activities

During the three months ended March 31, 2019 and 2018, the Company did not have any cash transactions related to investing activities.

SIGNIFICANT JUDGMENTS AND ESTIMATES

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

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

Income taxes

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

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

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.

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.

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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

Newly adopted accounting policies

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") 4 Determining whether an arrangement contains a lease, and related interpretations. IFRS 16 requires the recognition of a right-of-use asset ("ROU asset") and lease obligation on the statement of financial position for most leases, where the entity is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating or finance leases no longer exists, treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases as either a finance or an operating lease. The Company is the lessee in its lease arrangements.

Initial adoption

The Company has elected to apply IFRS 16 using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to the opening deficit at January 1, 2019 and applies the standard prospectively.

The following table shows the impact of the adoption of IFRS 16 on the Company's statement of financial position, as at January 1, 2019.

Classification	Impact	Amount
ROU asset	Increase	\$ 7,050,416
Current portion of lease obligation	Increase	\$ (1,312,555)
Long-term portion of lease obligation	Increase	\$ (5,737,861)

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At January 1, 2019, the Company applied the following optional exemptions permitted under the standard:

- Leases whose terms end within 12 months of initial adoption have been recognized as short-term leases.
- Certain leases having similar characteristics are measured on transition as a portfolio by applying a single discount rate.
- Initial measurements of the ROU assets have excluded initial direct costs where applicable.
- At January 1, 2019, the Company recognized its ROU assets for the lease of its head office space and operating facilities having measured it as if IFRS 16 had been applied since inception, using the incremental borrowing rate at January 1, 2019. This resulted in the recognition of an ROU asset that is not equal to its corresponding lease obligation on transition.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company used an incremental borrowing rate of 12% to measure the present value of the future lease payments on January 1, 2019.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognized an ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of condensed interim consolidated statement of loss and comprehensive loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation expense.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured at the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments exercise an extension or termination option, the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

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 three months ended March 31, 2019 and 2018 included the following:

	2019	2018
Salaries and director remuneration	\$ 207,900	\$ 59,448
Stock-based compensation expense - directors and officers	50,597	—
	\$ 258,497	\$ 59,448

As at March 31, 2019, included in accounts payable and accrued liabilities was \$34,540 (2018 – \$nil) of payments owed to key management personnel.

OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2019, 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 May 29, 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, 2018, 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.