CRYPTOLOGIC CORP. (formerly Vogogo Inc.)

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2019
(expressed in Canadian dollars – unaudited)

Notice of No Auditors Review of Interim Financial Statements

Under National Instrument 51-102, if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the board of directors of the Company (the "Board of Directors"). The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

CRYPTOLOGIC CORP. (formerly Vogogo Inc.)
Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Note	As at September 30, 2019 (unaudited)	As at December 31, 2018 (audited)
ASSETS			
Current assets			
Cash		$ 3,376,495	$ 1,166,077
Accounts receivable	6	—	834,716
Prepaid expenses and deposits	5	169,250	617,349
Sales tax receivable		122,467	255,161
Digital assets	6	—	1,562,290
Loan receivable	7	6,096,877	—
Assets classified as held for sale	8	18,351,870	—
Total current assets		**28,116,959**	**4,435,593**
Non-current assets			
Prepaid expenses and deposits	5	15,996	931,259
Right of use assets	9	281,797	—
Equipment	10	57,761	12,606,845
Total non-current assets		**355,554**	**13,538,104**
Total assets		**$ 28,472,513**	**$ 17,973,697**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	6, 11	$ 1,244,840	$ 2,150,409
Derivative liability	13	—	49,120
Current portion of lease obligation	12	101,473	—
Liabilities classified as held for sale	8	6,141,809	—
Total current liabilities		**7,488,122**	**2,199,529**
Long-term liabilities			
Lease obligation	12	165,958	—
Convertible debenture	13	30,887,054	27,510,483
Total long-term liabilities		**31,053,012**	**27,510,483**
Total liabilities		**38,541,134**	**29,710,012**
Shareholders' deficiency			
Share capital	14	79,128,164	78,742,324
Warrants	15	2,154,478	2,892,314
Contributed surplus	15	12,004,397	11,852,605
Deficit		(103,355,660)	(105,223,558)
Total shareholders' deficiency		**(10,068,621)**	**(11,736,315)**
Total liabilities and shareholders' deficiency		**$ 28,472,513**	**$ 17,973,697**

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

CRYPTOLOGIC CORP. (formerly Vogogo Inc.)
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2019
(expressed in Canadian dollars – unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	**2019**	**2018**	**2019**	**2018**
Revenue					
Digital assets mined	6	$ 8,384,272	$ 7,097,781	$ 23,248,258	$ 9,806,957
Colocation revenue	6	306,212	1,132,737	306,212	1,132,737
Cost of revenue					
Site operating costs	18	(4,182,816)	(4,150,617)	(12,515,177)	(5,167,855)
Depreciation	9, 10, 18	(699,251)	(4,272,873)	(3,367,872)	(5,261,174)
		3,808,417	**(192,972)**	**7,671,421**	**510,665**
Expenses					
General and administrative	18	664,488	892,347	1,763,700	1,686,545
Stock-based compensation	15	50,598	488,547	151,792	943,864
Acquisition related costs		241,704	63,211	337,612	396,772
Impairment		—	—	—	50,958,891
Fair value (gain) loss on re-measurement of digital assets	6	300,586	166,610	(156,068)	632,465
		1,257,376	**1,610,715**	**2,097,036**	**54,618,537**
Other income					
Unrealized fair value gain on derivative liability	13	—	—	49,120	—
Interest income	7	96,877	—	96,877	65,386
Interest expense	11, 13	(1,979,270)	(1,475,596)	(5,690,972)	(1,601,219)
Recovery of sales tax receivable		—	—	610,432	—
Gain on disposal of equipment		1,472,831	—	1,472,831	—
Foreign exchange (loss) gain		(149)	15,452	(244,775)	(120,340)
Net income (loss) and comprehensive income (loss) before income tax		**2,141,330**	**(3,263,831)**	**1,867,898**	**(55,764,045)**
Income tax (recovery)		—	(173,721)	—	435,269
Net income (loss) and comprehensive income (loss)		**$ 2,141,330**	**$ (3,437,552)**	**$ 1,867,898**	**$(55,328,776)**
Income (loss) per share - basic and diluted	1	$ 0.17	$ (0.55)	$ 0.15	$ (10.61)
Weighted average number of shares outstanding - basic and diluted	1	**12,719,171**	**5,887,564**	**12,719,171**	**5,254,599**

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

CRYPTOLOGIC CORP. (formerly Vogogo Inc.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the nine months ended September 30, 2019
(expressed in Canadian dollars – unaudited)

	Share Capital							
	Common shares Number	**Common shares Amount**	**Convertible preferred shares Number**	**Convertible preferred shares Amount**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total**
Balance – December 31, 2017	**4,416,505**	**$ 35,074,123**	**—**	**$ —**	**$ 2,449,333**	**$ 6,058,639**	**$ (30,970,599)**	**$ 12,611,496**
Issue of common shares in relation to exercised warrants	1,469,333	7,246,348	—	—	(1,515,948)	—	—	**5,730,400**
Issue of convertible preferred shares in connection with the Crypto 205 acquisition	—	—	4,333,333	51,350,000	—	—	—	**51,350,000**
Conversion of preferred shares to common	683,143	8,095,247	(683,143)	(8,095,247)	—	—	—	**—**
Equity component of convertible debenture (net of deferred tax)	—	—	—	—	2,325,224	(82,503)	—	**2,242,721**
Stock-based compensation	—	—	—	—	—	943,864	—	**943,864**
Net loss and comprehensive loss for the period	—	—	—	—	—	—	(55,328,776)	**(55,328,776)**
Balance – September 30, 2018	**6,568,981**	**$ 50,415,718**	**3,650,190**	**43,254,753**	**$ 3,258,609**	**$ 6,920,000**	**$ (86,299,375)**	**$ 17,549,705**
Balance – December 31, 2018	**12,719,171**	**$ 78,742,324**	—	**$ —**	**$ 2,892,314**	**$ 11,852,605**	**$ (105,223,558)**	**$ (11,736,315)**
Expiry of warrants	—	385,840	—	—	(737,836)	—		**(351,996)**
Stock-based compensation	—	—	—	—	—	151,792	—	**151,792**
Net income and comprehensive income for the period	—	—	—	—	—	—	1,867,898	**1,867,898**
Balance – September 30, 2019	**12,719,171**	**$ 79,128,164**	—	**$ —**	**$ 2,154,478**	**$ 12,004,397**	**$ (103,355,660)**	**$ (10,068,621)**

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

CRYPTOLOGIC CORP. (formerly Vogogo Inc.)
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2019
(expressed in Canadian dollars – unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities		
Net loss	$ 1,867,898	$ (55,328,776)
Changes in non-cash operating items:		
Mining revenue	(23,248,258)	(9,806,957)
Colocation revenue settled with digital assets	(231,724)	—
Income taxes	—	(435,269)
Depreciation	3,432,915	5,262,520
Impairment	—	50,958,891
Fair value (gain) loss on re-measurement of digital assets	(156,068)	632,465
Unrealized fair value gain on derivative liability	(49,120)	—
Gain on disposal of equipment	(1,472,831)	—
Foreign exchange gain	244,775	—
Stock-based compensation	151,792	943,864
Interest income	(96,877)	(65,386)
Interest expense	2,666,397	943,683
Interest accretion	3,024,575	657,536
	(13,866,526)	(6,237,429)
Changes in non-cash working capital		
Accounts receivable	—	(127,614)
Prepaids	(288,595)	(1,295,597)
Sales tax receivable	(1,667,782)	277,662
Digital assets	25,539,898	1,822,742
Security deposit	—	650,184
Accounts payable and accrued liabilities	(787,380)	(3,698,113)
Net cash provided by (used in) operating activities	**8,929,615**	**(8,608,165)**
Cash flows from financing activities		
Proceeds from exercise of warrants	—	5,730,400
Proceeds from issuance of convertible debenture	—	32,859,709
Interest paid	(1,380,000)	(266,830)
Repayment of lease obligations	(1,601,167)	—
Net cash (used in) provided by financing activities	**(2,981,167)**	**38,323,279**
Cash flows from investing activities		
Purchase of equipment	—	(226,646)
Purchase of intangible asset	—	(132,040)
Proceeds from sale of equipment	2,749,832	—
Loans advanced	(6,000,000)	—
Acquisition of subsidiaries	—	(40,083,883)
Interest earned on short term investment	—	65,386
Net cash used in investing activities	**(3,250,168)**	**(40,377,183)**
Change in cash during the period	2,698,280	(10,662,069)
Cash – beginning of period	1,166,077	12,796,056
Cash included in assets held for sale	(487,862)	—
Cash – end of period	**$ 3,376,495**	**$ 2,133,987**

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

1. NATURE OF OPERATIONS

Cryptologic Corp. (formerly Vogogo Inc.) (the "Company" or "Cryptologic"), has cryptocurrency mining activities in Québec.

The head office and registered record office is located at 300-5 Hazelton Ave., Toronto, Ontario, M5R 2E1.

Effective February 14, 2019, the Company consolidated its common shares on the basis of one new common share for every thirty old common shares issues and outstanding at that time. All references to share, per share amounts, warrants and options in theses financial statements have been retroactively restated to reflect the consolidation.

On July 31, 2019, the Company changed its name change from Vogogo Inc. to Cryptologic Corp. The common shares trade on the CSE under the symbol “CRY”.

On August 3, 2019, the Company announced its intention to exit the cryptocurrency mining industry and are exploring an acquisition in the Cannabis production and cultivation industry. See note 7 and 8.

These condensed interim consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and expects to incur further losses in the development of its business. At September 30, 2019, the Company had a working capital of $20,628,837 and has an accumulated deficit of $103,355,660 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 26, 2019.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Non-current assets held for sale

Non-current assets that are expected to be recovered primarily though sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured at net book value less impairment loss. Assets held for sale are measured at the lower of their carrying amounts or their fair value less costs to sell and are no longer depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(expressed in Canadian dollars – unaudited)

4. CHANGES IN 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 Company is acting as a lessee. For lessees applying IFRS 16, the duel classification model of leases as either operating or finance leases no longer exists, treating all leases as finance leases. *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)

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 is 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 profit or 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.

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, amounts expected to be payable under residual value guarantees and payments exercised at extension or a termination option if 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.

(expressed in Canadian dollars – unaudited)

5. PREPAID EXPENSES AND DEPOSITS

The Company's prepaid expenses comprise the following:

	As at September 30, 2019	As at December 31, 2018
Prepaid expenses	169,250	617,349
Vendor deposits	15,996	931,259
Prepaid expenses and deposits	**185,246**	**1,548,608**
Current	169,250	617,349
Long-term	15,996	931,259

Included in the long-term portion of prepaid expenses and deposits as at September 30, 2019, are security deposits for rent of $15,996 (December 31 – $145,343) and security deposits for electricity costs of $nil (December 31, 2018 – $785,916) that have been classified as long-term.

6. DIGITAL ASSETS

Digital assets consists of Bitcoins. Below is a summary of changes in digital assets during the period.

		Amount	Units
Balance as at December 31, 2017	**$**	—	—
Coins acquired on acquisition (note 19)		368,654	40.03
Mined additions		15,758,349	1,978.45
Coins received to settle accounts receivable		931,180	113.55
Coins sold		(12,450,931)	(1,792.47)
Coins transferred to settle accounts payable		(296,133)	(33.58)
Fair value loss on re-measurement of coin		(2,748,829)	—
Balance as at December 31, 2018	**$**	**1,562,290**	**305.98**
Mined additions		23,248,258	2,651.91
Equipment sale settled in coin		644,947	57.83
Colocation fees settled in coin		46,724	3.59
Coins sold		(25,539,898)	(3,004.00)
Coins transferred to settle accounts payable		(39,794)	(8.14)
Fair value gain on re-measurement of coin		156,126	—
Reclassified to assets held for sale		(78,653)	(7.16)
Balance as at September 30, 2019	**$**	—	—

During the year ended December 31, 2018, the Company's colocation customer became delinquent in settling their obligations. As a result, the Company directed the miners of the colocation customer to wallets controlled by the Company as collateral for settlement of the balance receivable from the Company.

On April 30, 2019, the Company acquired 6,598 Antminer S9 cryptocurrency mining machines as a result of the termination of the colocation agreement. As consideration for the early termination of the colocation agreement, in addition to the Company receiving the miners, the Company retained the security deposit received pursuant to the colocation agreement, and the Bitcoins mined by the colocation customer during the period the termination agreement was negotiated. The termination agreement represents settlement of all obligations under the colocation agreement. The Company assumed the customer's assets in exchange for termination of the agreement and settlement of accounts receivable which was the net balance of $834,716 and the $815,548 of coins mined on behalf of the customer up to April 30, 2019.

(expressed in Canadian dollars – unaudited)

6. DIGITAL ASSETS (continued)

During the three month period ended September 30, 2019, the Company sold off certain crypto currency mining equipment and entered into short term colocation contracts with various third-party equipment purchasers. Certain of these customers settled their purchases and colocation fees in digital assets paid in advance to the Company.

7. LOAN RECEIVABLE

On August 3, 2019, the Company entered into a non-binding letter of intent with Wayland Group ("Wayland"), a vertically integrated cultivator and processor of cannabis, with production facilities in Langton, Ontario (the "Facilities") where it operates a cannabis cultivation, extraction, formulation and distribution business under federal licenses from the Government of Canada, relating to a proposed acquisition of Wayland's Canadian business, including the Facilities, and the assumption of liabilities related to Wayland's Canadian business.

In connection with the proposed transaction, the Company committed to provide Wayland with a $5,000,000 subordinated bridge loan (the "Bridge Loan"), which is not subject to completion of the transaction and was advanced by the Company prior to the entering into of a definitive agreement in connection with the proposed transaction. In connection with the Bridge Loan, Wayland grants the second-lien security over the assets to be purchased by Cryptologic, which is subordinate to Wayland's existing secured convertible debentures in accordance with their terms. The Bridge Loan was advanced on August 9, 2019. The Bridge Loan will expire on the earlier of: (a) the date that is one (1) year from the date of the Bridge Loan, and (b) closing of the Wayland acquisition. The principal amount of the Bridge Loan and all accrued and unpaid interest, will become due and payable at the end of the term, provided, for clarity, that if the acquisition closes prior to such time, the Bridge Loan will constitute an additional assumed liability by the Company. Interest on the Bridge Loan is charged at a rate of 13% per annum. However, if Wayland enters into an alternative transaction after the expiry of the Company's exclusivity period on November 7, 2019 and prior to the expiry of the term of the Bridge Loan, then the rate of interest increases to 25% per annum.

On September 17, 2019, the Company and Wayland entered into an amended and restated loan agreement under which the Company advanced an additional $1,000,000 to Wayland (the "Amended Bridge Loan"). The terms of the Amended Bridge Loan provide for additional loan tranches up to an overall aggregate cap of $25,000,000. The Amended Bridge Loan also provides for a non-completion fee in the amount of 5% of the deemed aggregate value of the proposed transaction, up to a maximum non-completion fee of $11,500,000. The Amended Bridge Loan extends the exclusivity period to December 16, 2019.

During the period ended September 30, 2019, the Company earned $96,877 in interest.

		As at September 30, 2019
Principal advanced	$	6,000,000
Interest earned		96,877
Balance as at September 30, 2019	**$**	**6,096,877**

(expressed in Canadian dollars – unaudited)

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Company evaluated the cryptocurrency mining business and made a decision to divest of its crypto assets and enter the cannabis cultivation and processing industry. On August 3, 2019, the Company entered into a non-binding letter of intent with Wayland, a vertically integrated cultivator and processor of cannabis, with production facilities in Langton, Ontario where it operates a cannabis cultivation, extraction, formulation and distribution business under federal licenses from the Government of Canada. The decision led to the classification of the crypto-mining related assets and liabilities as held for sale.

The following is a summary of assets and liabilities classified as held for sale at September 30, 2019:

		TOTAL
Cash	$	487,862
Prepaid expenses and deposits		1,651,957
Sales tax receivable		1,772,681
Digital assets		78,653
Equipment		8,781,649
ROU Asset		5,579,066
Assets classified as held for sale	**$**	**18,351,868**

		TOTAL
Accounts payable and accrued liabilities	$	178,515
Customer deposits		185,080
Lease obligation		5,778,215
Liabilities classified as held for sale	**$**	**6,141,810**

9. RIGHT OF USE ASSETS

		Buildings		Total
Balance as at January 1, 2019	$	7,050,416	$	7,050,416
Depreciation		(1,189,553)		(1,189,553)
Reclassified to assets held for sale		(5,579,066)		(5,579,066)
Balance as at September 30, 2019	**$**	**281,797**	**$**	**281,797**

(expressed in Canadian dollars – unaudited)

10. EQUIPMENT

COST	**Mining equipment**	**Infrastructure**	**Office equipment**	**Total**
Balance as at December 31, 2018	**$ 23,970,090**	**$ 17,839,676**	**$ 73,883**	**$ 41,883,649**
Disposal	(14,547,762)	—	—	(14,547,762)
Reclassification to assets held for sale	(9,422,328)	(17,839,676)	—	(27,262,004)
Balance as at September 30, 2019	**$ —**	**$ —**	**$ 73,883**	**$ 73,883**

ACCUMULATED AMORTIZATION				
Balance as at December 31, 2018	**$ 18,383,691**	**$ 10,888,074**	**$ 5,039**	**$ 29,276,804**
Amortization	1,327,631	904,648	11,083	2,243,362
Disposal	(13,023,689)	—	—	(13,023,689)
Reclassification to assets held for sale	(6,687,633)	(11,792,722)	—	(18,480,355)
Balance as at September 30, 2019	**$ —**	**$ —**	**$ 16,122**	**$ 16,122**

COST	**Mining equipment**	**Infrastructure**	**Office equipment**	**Total**
Balance as at December 31, 2017	**$ —**	**$ —**	**$ —**	**$ —**
Additions from acquisition (note 19)	23,904,459	17,649,856	—	41,554,315
Additions	65,631	189,820	73,883	329,334
Balance as at December 31, 2018	**$ 23,970,090**	**$ 17,839,676**	**$ 73,883**	**$ 41,883,649**

ACCUMULATED AMORTIZATION				
Balance as at December 31, 2017	**$ —**	**$ —**	**$ —**	**$ —**
Amortization	4,902,903	1,953,297	5,039	6,861,239
Impairment (note 19)	13,480,788	8,934,777	—	22,415,565
Balance as at December 31, 2018	**$ 18,383,691**	**$ 10,888,074**	**$ 5,039**	**$ 29,276,804**

Net carrying amount				
At December 31, 2018	**$ 5,586,399**	**$ 6,951,602**	**$ 68,844**	**$ 12,606,845**
At September 30, 2019	**$ —**	**$ —**	**$ 57,761**	**$ 57,761**

During the nine months ended September 30, 2019, $2,232,279 (2018 - $5,261,174) of depreciation was charged as a cost of revenue.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2019	**As at December 31, 2018**
Trade accounts payable	503,118	1,204,966
Accrued liabilities	741,722	365,660
Bitcoin owed to colocation customer (note 6)	—	579,783
Accounts payable and accrued liabilities	**1,244,840**	**2,150,409**

(expressed in Canadian dollars – unaudited)

12. LEASE OBLIGATION

The following table details the movement in the Company's lease obligations for the nine months ended September 30, 2019:

		Lease obligations
Balance as at January 1, 2019	$	7,050,416
Interest		596,398
Repayments		(1,601,167)
Reclassified to AHFS		(5,778,216)
Balance as at September 30, 2019	**$**	**267,431**
Current portion		101,473
Long-term portion		165,958

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2019:

		Within one year		Later than one year but not later than 5 years		More than 5 years
Lease obligations	$	127,970	$	181,291	$	—

13. 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 nine months ended September 30, 2019 was $3,024,575 (December 31, 2018 - $1,967,302). Interest expense incurred for the nine months ended September 30, 2019 was $2,070,000 (December 31, 2018 – $1,487,333). Interest paid for the nine months ended September 30, 2019 was $1,380,000 (for the year ended 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 and 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 and the following assumptions: Market price - $13.50; Annualized volatility – 130%; Risk-free interest rate – 1.82%; Dividend yield – 0%; and Expected life – 2 years.

On June 21, 2019, the Broker Warrant Units expired resulting in the Company revaluing the derivative relating to the option to purchase the debentures to the estimated fair value of $nil from $49,120 and recorded a gain. The Company reversed the fair value of the Broker Warrant Units recorded in the warrant component of convertible debenture of $351,996.

(expressed in Canadian dollars – unaudited)

13. CONVERTIBLE DEBENTURE (continued)

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.

The Company will amortize the debt discount recorded in relation to the transaction using the effective interest method over the term of the related debt.

	Proceeds	Transaction costs	Net
Liability component	$ 28,018,203	$ (2,475,021)	$ 25,543,182
Equity component	6,481,797	(572,577)	5,909,220
Total	**$ 34,500,000**	**$ (3,047,598)**	**$ 31,452,402**

The recognition of the equity component resulted in a deferred tax liability of $1,595,489, which was offset by the recognition of a corresponding deferred tax asset relating to the Company's non-capital losses.

The following table reflects movements recognized during the nine months ended September 30, 2019:

	Liability component of Convertible Debenture	Warrants component of Convertible Debenture	Equity component of Convertible Debenture
Balance at initial recognition (net of transaction costs and deferred tax)	**$ 25,543,181**	**$ 1,958,929**	**$ 2,706,796**
Accretion of liability component of Convertible Debenture (effective interest rate of 25%)	4,991,877	—	—
Expiry of broker warrants	351,996	(351,996)	—
Balance - September 30, 2019	**$ 30,887,054**	**$ 1,606,933**	**$ 2,706,796**

14. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common shares.

During the nine months ended September 30, 2019, 910,000 warrants expired. As a result, the Company reversed the fair value of $385,840 to share capital.

(expressed in Canadian dollars – unaudited)

15. CONTRIBUTED SURPLUS AND WARRANTS

	As at September 30, 2019		As at December 31, 2018	
	Contributed surplus	Warrants	Contributed surplus	Warrants
Beginning balance	**$ 11,852,605**	**$ 2,892,314**	**$ 6,058,639**	**$ 2,449,333**
Stock-based compensation	151,792	—	3,087,170	—
Expiry of warrants	—	(737,836)	—	—
Exercised warrants	—	—	—	(1,515,948)
Warrants and equity portion of convertible debenture	—	—	4,302,285	1,606,933
Equity component of broker warrant units issued in relation to the convertible debenture	—	—	—	351,996
Deferred tax on equity component of convertible debenture	—	—	(1,595,489)	—
Ending balance	**$ 12,004,397**	**$ 2,154,478**	**$ 11,852,605**	**$ 2,892,314**

Stock options

The Company has a stock option plan ("the Plan") under which the Board of Directors may grant to directors, officers, employees and technical consultants to the Company non-transferable options to purchase common shares, exercisable for a period of up to 5 years from the date of grant.

During the three and nine months ended September 30, 2019, the Company did not grant any stock options.

During the year ended December 31, 2018, the Board of Directors granted 636,532 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 616,198 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 216,667 options to the CEO of the Company.

A summary of the stock option transactions are as follows:

	As at September 30, 2019		As at December 31, 2018	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Beginning balance	216,667	$ 1.95	196,333	$ 6.90
Granted	—	—	636,532	8.70
Cancelled	—	—	(616,198)	(10.50)
Ending balance	**216,667**	**$ 1.95**	**216,667**	**$ 1.95**

The following provides a summary of options outstanding and exercisable as at September 30, 2019:

Number of Options Outstanding	Exercise Price $	Expiry Date	Number of Options Exercisable	Exercise Price $
216,667	$ 1.95	December 13, 2023	—	$ 1.95
216,667	**$ 1.95**		**—**	**$ 1.95**

(expressed in Canadian dollars – unaudited)

15. CONTRIBUTED SURPLUS AND WARRANTS (continued)

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option pricing model with the following weighted average assumptions:

		For the year ended December 31, 2018
Expected volatility		130%
Expected life		3.5 years
Expected forfeiture rate		0%
Risk-free interest rate		2.03%
Dividend yield		0%
Weighted average share price	$	2.10
Weighted average fair value of options at grant date	$	1.50

The Company recorded stock-based compensation expense for options of $151,792 (2018 – $943,864) with an offsetting increase to contributed surplus in respect of the stock options granted during the nine months ended September 30, 2019. No stock options were exercised during the nine months ended September 30, 2019 or 2018, and as a result $nil was transferred to share capital from contributed surplus. The weighted average remaining life of the options is 4.21 years.

Warrants

A summary of warrant transactions are as follows:

	As at September 30, 2019			As at December 31, 2018		
	Number of warrants		Weighted average exercise price $	Number of warrants		Weighted average exercise price $
Beginning balance	1,711,046	$	16.20	2,030,333	$	3.90
Expired	(30,379)		(11.40)	—		—
Issued	—		—	1,150,046		22.20
Exercised	—		—	(1,469,333)		3.90
Ending balance	**1,680,667**	**$**	**15.60**	**1,711,046**	**$**	**16.20**

The following provides a summary of warrants outstanding as at September 30, 2019:

Expiry date	Number of warrants outstanding		Exercise price
October 31, 2019	530,667	$	3.90
June 21, 2020	1,150,000	$	21.00
	1,680,667		

(expressed in Canadian dollars – unaudited)

15. CONTRIBUTED SURPLUS AND WARRANTS (continued)

The fair value of warrants was estimated on the date of the issuance, as determined by using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended December 31, 2018
Expected volatility	130%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	1.82%
Dividend yield	0%
Weighted average share price	$ —
Weighted average fair value of warrants at grant date	$ 6.69

During the nine months ended September 30, 2019, a total of 30,333 warrants and 1,380 Broker Warrant Units expired. On the expiry of 30,333 warrants, the value of $385,840 originally allocated to reserves was reallocated to share capital. On the expiry of 1,380 Broker Warrant Units, the value of $351,996 originally allocated to reserves was reallocated to convertible debenture liability.

During the nine months ended September 30, 2018, 1,380 Broker Warrants Units were issued in connection with the prospectus financing with an allocated fair value of $2,325,224. The warrants had an exercise price of $0.50 per common share (pre-consolidation).

During the nine months ended September 30, 2018, the Company received $5,730,400 for the exercise of 44,080,000 warrants (pre-consolidation). On the exercise of 44,080,000 warrants (pre-consolidation), the value of $1,515,948 originally allocated to reserves was reallocated to the share capital

During the year ended December 31, 2018, 1,380 Broker Warrants Units were issued in connection with the prospectus financing with an allocated fair value of $351,996 (note 13). Further, 1,150,000 warrants convertible to 1,150,000 common shares were issued in connection with the convertible debenture prospectus financing with an allocated fair value of $1,606,933. The warrants have an exercise price of $21.00 per common share. The warrants may be exercised during a period of two years from the date of issuance.

During the year ended December 31, 2018, the Company received $5,730,400 for the exercise of 44,080,000 warrants (pre-consolidation) with a value of $1,515,948 which was originally allocated to reserves was reallocated to the share capital.

Convertible Debenture

During the year ended December 31, 2018, the Company entered into a Convertible Debenture for $34.5 million (note 13). The residual value of the warrants and equity conversion feature was estimated at $5,909,219, net of issue costs using relative fair value allocation. Deferred tax liability of $1,595,489 on the warrant and equity component of the Convertible Debenture was recorded to contributed surplus.

16. FAIR VALUE DISCLOSURE AND CAPITAL MANAGEMENT

Fair value hierarchy

Digital assets recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

> Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;
>
> Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and
>
> Level 3: Inputs that are not based on observable market data.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments and their low credit risk.

16. FAIR VALUE DISCLOSURE AND CAPITAL MANAGEMENT(continued)

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate.

The Company's cash is measured at fair value using level 1 inputs.

The Company's derivative liabilities are measured at fair value using level 3 inputs. The assumptions are disclosed in note 13.

Digital assets and risk management

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at favorable prices. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist of Bitcoin.

17. 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 is the functional currency of the Company.

The table below indicates the foreign currencies to which the Company has exposure at June 30, 2019 in Canadian dollar terms:

	USD
Cash	$ 3,958

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	$ 396

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 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 September 30, 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 be $7,865.

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.

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 the 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 and manages liabilities and expenses, to mitigate concentration risk.

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.

(expressed in Canadian dollars – unaudited)

18. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statement of income and comprehensive income and are comprised of general and administrative. Below is a breakdown of what is included within general and administrative expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Cost of revenue - Mining & Colocation				
Electricity	$ 3,573,340	$ 3,381,907	$ 10,720,147	$ 4,152,998
Facility costs	578,695	501,842	1,671,549	632,097
Contractor fees	30,781	266,868	123,481	382,760
	$ 4,182,816	**$ 4,150,617**	**$ 12,515,177**	**$ 5,167,855**
General and administrative				
Office and administrative	$ 79,310	$ 126,791	$ 219,993	$ 148,568
Legal and Professional fees	196,552	287,998	309,467	656,634
Consulting fees	—	96,377	22,124	146,250
Travel and entertainment	49,262	75,820	172,655	155,510
Depreciation	21,681	1,345	65,043	1,345
Salaries	317,683	304,016	974,418	578,238
	$ 664,488	**$ 892,347**	**$ 1,763,700**	**$ 1,686,545**

19. BUSINESS COMBINATIONS

Crypto 205

The acquisition of 100% of the shares of Crypto 205 has been accounted for as a business combination and the results of operations are included in the condensed interim consolidated statement of loss from the date of acquisition, April 3, 2018.

The following table summarizes the estimated fair value of the identifiable assets and liabilities acquired at the date of acquisition:

Fair value of consideration	**$ 28,921,853**
Cash	916,117
Prepaids	52,209
Sales tax receivable	1,054,527
Digital assets	368,654
Subscription receivable	2,272
Equipment	12,147,796
Accounts payable and accrued liabilities	(5,901,918)
Shareholder loan	(5,000,000)
Deferred income tax liability	(27,042)
Total acquisition date fair value of assets acquired, and liabilities assumed	**3,612,615**
Goodwill	**25,309,238**
Impairment allocation	
Goodwill	25,309,238
Equipment	8,024,170
	$ 33,333,408

The Company issued 130,000,001 non-voting, convertible series 1 preferred shares to the shareholders of Crypto 205 for consideration of $28,921,853 to finance the Crypto 205 Acquisition. The fair value of the consideration was determined using a put option valuation discount on the preferred shares.

(expressed in Canadian dollars – unaudited)

19. BUSINESS COMBINATIONS (continued)

In measuring the fair value of the purchase price, the Company applied a discount for lack of marketability to reflect the restriction period on the preferred shares. Given that the preferred shares were convertible into common shares on a one-for-one basis, the quantum of the discount for lack of marketability was based on the theoretical price for a put option on the Company's shares using the Black-Scholes model using the following assumptions: Market price - $0.36; Annualized volatility – 130%; Risk-free interest rate – 1.12%; Dividend yield – 0%; and Expected life – 1 year.

In measuring the fair value of the mining equipment at the date of acquisition, the Company used replacement method. The replacement value of the mining equipment was estimated based on recent open market transaction data involving the acquisition of Bitmain Antminer S9 mining machines observed prior to the acquisition date. Observed values from the transaction data were then adjusted for accumulated depreciation/functional obsolescence. The mining equipment was estimated to have an average useful life of three years. An allowance for accumulated depreciation was deducted based on the estimated age of the mining equipment at the date of acquisition.

Acquisition-related costs directly related to the Crypto 205 acquisition were $99,820 and were expensed in net loss during the year ended December 31, 2018.

As at December 31, 2018, the Company conducted a valuation of the mining assets, infrastructure and goodwill and determined that an impairment was required. It was determined that in order to carry the assets at their fair value, an impairment of $33,333,408 was recorded.

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 liabilities assumed and has not been finalized.

9376-9974 Quebec Inc.

The acquisition of 100% of the shares of 9376-9974 Quebec Inc. (the "828 Acquisition") has been accounted for as a business combination and the results of operations are included in the condensed interim consolidated statement of loss from the date of acquisition, which was June 29, 2018.

The following table summarizes the estimated fair value of the identifiable assets and liabilities acquired at the date of acquisition:

Fair value of consideration	**$**	**45,458,359**
Equipment		29,406,519
Deferred tax liability		(1,682,151)
Total acquisition date fair value of assets acquired, and liabilities assumed		**27,724,368**
Goodwill		**17,733,991**
Cash consideration		36,000,000
Fair value of promissory note		9,458,359
Total Consideration		**45,458,359**
Impairment allocation		
Goodwill		17,733,991
Equipment		14,391,394
	$	**32,125,385**

The 828 Acquisition provided the company with a state-of-the-art cryptocurrency mining facility, including 14,000 Antminer S9 cryptocurrency mining machines and full HVAC and electrical infrastructure. In addition to the 14,000 Antminer S9 cryptocurrency mining machines, and supporting infrastructure, the Company was also able to negotiate with 828 L.P. (the "Vendor") 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. The Company acquired additional HVAC and electrical equipment, which, now supports cryptocurrency mining for an additional 4,000 mining machines at the facility.

(expressed in Canadian dollars – unaudited)

19. BUSINESS COMBINATIONS (continued)

In measuring the fair value of the mining equipment at the date of acquisition, the Company employed the depreciated replacement cost methodology. The replacement value of the mining equipment was estimated based on recent open market transaction data involving the acquisition of Bitmain Antminer S9 mining machines observed prior to the acquisition date. Observed values from the transaction data were then adjusted for accumulated depreciation/functional obsolescence. The mining equipment was estimated to have an average useful life of three years (if acquired in new condition); an allowance for accumulated depreciation was deducted based on the estimated age of the mining equipment at the date of acquisition.

Acquisition-related costs directly related to the 828 Acquisition were $296,952 and were expensed in net loss during the year ended December 31, 2018.

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 at December 31, 2018, the Company conducted a valuation of the mining assets, infrastructure and goodwill and determined that an impairment was required. It was determined that in order to carry the assets at their fair value, an impairment of $32,125,385 was recorded.

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.

20. RELATED PARTY TRANSACTIONS

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

The compensation of such key management for the nine months ended September 30, 2019 and 2018 included the following:

		2019		2018
Salaries and director remuneration	$	623,700	$	472,639
Stock-based compensation expense - directors and officers		151,792		678,428
	$	**775,492**	**$**	**1,151,067**

As at September 30, 2019, included in accounts payable and accrued liabilities was $85,909 (2018 – $240,794) of payments owed to key management personnel. As at September 30, 2019, $nil (2018 – $152,205) of the amount included in accounts payable and accrued liabilities relate to salaries payable which will be settled through the transfer of bitcoin.