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 Cryptologic Corp. (formerly Vogogo Inc.) ("Cryptologic" or the "Company"), on a consolidated basis, for the three months and year ended December 31, 2019.

This document should be read in conjunction with the information contained in the Company's audited consolidated financial statements and related notes for the year ended December 31, 2019 (the "2019 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("$") and "CAD" amounts and references in this MD&A are in Canadian dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, May 12, 2020, being the date the Company's board of directors (the "Board") approved this MD&A and the Q4 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

Cryptologic Corp. (formerly Vogogo Inc.) was created to become a specialized payment processing business with associated risk management capability. The Company spent several 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 the Company, 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 the Company 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 4,333,333 non-voting, convertible series 1 preferred shares in the capital of the Company (the "Preferred Shares"), resulting in total consideration valued at $28.92 million. In connection with the 205 Acquisition, the Company was also assigned a shareholder loan, which was settled in exchange for a cash payment of $5 million to the former shareholders of Crypto 205.

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

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

AIF and Short Form Prospectus

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

Convertible Debenture

On June 21, 2018, the Company issued 34,500 debenture units (the "Units") for proceeds of $34,500,000. Each Unit is comprised of $1,000 principal amount of senior unsecured extendible non-redeemable convertible debentures ("Convertible Debentures") and 33 warrants ("Warrants"). Each unit entitles the holder to a conversion rate of 66 common shares per $1,000 principal of Convertible Debentures at a value of $15 per share and Warrants exercisable for 33 shares at a price of $21 per share.

The Convertible Debentures bear interest at 8% per annum, payable semi-annually, are unsecured and mature in 24 months. The fair value of the Convertible Debentures was recorded at $25,543,181, discounted at 20%, and is net of transaction costs. The accretion expense for the year ended December 31, 2019 was $4,465,986 (December 31, 2018 - $1,967,302). Interest expense incurred for the year ended December 31, 2019 was $2,760,000 (December 31, 2018 – $1,487,333). Interest paid for the year ended December 31, 2019 was $2,760,000 (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 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 66 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 the convertible debentures of $351,996.

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 CSE 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, 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 amortizes the debt discount recorded in relation to the transaction using the effective interest method over the term of the related debt.

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.

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 the Company 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").

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. The Company 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. The Company 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, including 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.

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.

On April 30, 2019, the Company announced that a subsidiary of the company, 9376-9974 Quebec Inc., had 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 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. The Company assumed the customer's assets in exchange for termination of the contract and a receivable of $834,716 less the $815,548 of coins mined on behalf of the customer at April 30, 2019.

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 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.

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 2,500,000 common shares (post-consolidation) of the Company valued at $7.5 million to 828 L.P. based on a price of $3.00 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.

Additional resolutions that were also approved at the annual and special meeting of holders of common shares of the Company are as follows:

- 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 1,469,333 Common Shares for cash consideration of $5,730,400 as a result of the exercise of previously issued warrants. Initially the 1,469,333 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 year ended December 31, 2019, 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 were to vest and become exercisable at 33.33% over a three-year period. A certain consultant received immediate vesting of its grant while another consultant's options were to vest 25% quarterly over one year. All options were to 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 represented 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.

Conversion of preferred shares

During the year ended December 31, 2018, a total of 858,809 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 3,474,525 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 at the Company's 2017 Annual General Meeting.

Impairment of mining equipment, infrastructure and goodwill

The Company recognized impairment losses related to the mining equipment of $1,993,291 (December 31, 2018 – $13,480,788) and mining infrastructure of $1c294c734 (December 31, 2018 – $8,934,777). As at December 31, 2019, the Company determined that the recoverable amount of mining equipment and mining infrastructure was less than the previously impaired value. The Company impaired the mining equipment and mining infrastructure to its recoverable amount (see notes 10 and 21 of the Q4 2019 Financial Statements).

Share consolidation

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 this MD&A have been retroactively restated to reflect the consolidation.

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.

Corporate name change

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".

Proposed Acquisition of Canadian Assets of Wayland Group

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 entering into 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 expires 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.

On December 2, 2019, Wayland was granted an order from the Ontario Superior Court of Justice under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). The initial order provides for, among other things, a stay of proceedings in favour of the Wayland Group and certain of its affiliates, and the appointment of PricewaterhouseCoopers Inc. as monitor of the Wayland Group. On December 31, 2019, after review of the market conditions in the Cannabis industry and the developments with Wayland, management concluded that it was unlikely that the Company would recover the balance of the loan and decided to provide for an allowance equal to the estimated recoverable amount of the loan.

During the year ended December 31, 2019, the Company recorded interest income of $297,486.

SUBSEQUENT EVENTS

COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the price of Bitcoin, the ability for the Company to raise capital and the supply of upgraded equipment are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

SALE OF 9376-9974 QUEBEC INC. TO HIVE

On April 8, 2020, the Company sold the shares of its wholly-owned subsidiary 9376-9974 Quebec Inc. to HIVE Blockchain Technologies Ltd. ("Hive").

As consideration, Hive issued 15,000,000 of its common shares ("Hive Shares") and paid $1,956,231 in cash. In addition, Hive has agreed to invest $3,000,000 in 9376-9974 Quebec Inc.

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SELECTED FINANCIAL INFORMATION

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

	Three Months Ended December 31,		Year Ended December 31,	
	2019	**2018**	**2019**	**2018**
Net loss and comprehensive loss from continuing operations	$ (9,718,162)	$ (4,419,635)	$ (16,962,291)	$ (8,340,441)
Net loss and comprehensive loss	(13,590,497)	(18,924,184)	(11,722,599)	(74,252,959)
Total assets	15,581,954	17,973,697	15,581,954	17,973,697
Total liabilities	38,847,679	29,710,012	38,847,679	29,710,012
Basic and diluted net loss and comprehensive loss per common share from continuing operations	$ (0.73)	$ (0.84)	$ (1.33)	$ (1.59)
Basic and diluted net loss and comprehensive loss per common share	$ (0.85)	$ (3.60)	$ (0.92)	$ (14.13)

DISCUSSION OF OPERATIONS

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

	Three Months Ended December 31,			
	2019	**2018**	**Variance**	**% Change**
General and administrative	575,806	1,072,953	(497,146)	(46.3%)
Acquisition related costs	412,140	18,007	394,133	2188.8%
Interest expense	2,139,190	2,674,110	(534,920)	(20.0%)
Allowance for loss on loan	6,547,486	—	6,547,486	

General and administrative

General and administrative expenses decreased from $1.07 million for the three months ended December 31, 2019 to $0.58 million for the three months ended December 31, 2019, a decrease of 46.3%. The decrease as compared to the prior year period was primarily the result of (i) a decrease in legal and professional fees related to general corporate matters, (ii) decrease in consulting fees from 2018 in connection with corporate brand development, and (iii) decrease in office expenses in connection with establishing a corporate head office in the third and fourth quarters of 2018.

Acquisition related costs

Acquisition related costs increased from $0.18 million for the three months ended December 31, 2018 to $0.42 million for the three months ended December 31, 2019, an increase of 2,189%. During the three months ended December 31, 2019, the Company incurred certain one-time costs for legal and professional fees directly related to acquisition activity in connection with the proposed Wayland transaction. During the three months ended December 31, 2018, the Company incurred certain one-time costs directly related to the 828 Acquisition. These costs relate to certain legal and professional fees post-completion of the transaction.

Interest expense

During the three months ended December 31, 2019, the Company incurred interest expense of $2.13 million compared to interest expense of $2.67 million for the prior year period, resulting in a variance of $0.53 million and a decrease of 20.0%. During the three months ended December 31, 2019, interest expense relates to (i) interest expense 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. During the three months ended December 31, 2018, interest expense relates to (i) interest accretion on the fair value adjustment of Convertible Debentures, and (ii) interest expense on the Convertible Debentures.

Allowance for loss on loan

As at December 31, 2019, after review of the market conditions in the cannabis industry and the developments with Wayland, management concluded that it was unlikely that the Company would recover the balance of the loan and decided to provide for an allowance of $6.55 million, representing the entire balance of the loan including accrued interest.

Discontinued Operations

	Three Months Ended December 31,			
	2019	**2018**	**Variance**	**% Change**
Revenue	3,710,262	7,139,311	(3,429,049)	(48.0%)
Cost of revenue	4,002,626	6,598,673	(2,596,047)	(39.3%)
Fair value loss on re-measurement of digital assets	121,247	2,116,364	(1,995,117)	(94.3%)
Impairment	3,288,025	14,499,902	(11,211,877)	(77.3%)

Revenue

During the three months ended December 31, 2019, the Company earned $3.17 million in revenue from the mining of Bitcoin and $0.54 million from colocation hosting services as compared to $5.95 million and $1.19 million in the prior year period representing a decrease of 48%. During the three months ended December 31, 2019, the Company mined 300.74 Bitcoins compared to 918.35 Bitcoins in the prior year period. The decrease in Bitcoins results from (i) the sale of 8,475 mining machines representing approx. 38% of the Company's total miners, and (ii) increased network difficulty due to increased network hashrate and a corresponding decrease in coin production per miner (see cost of revenue for discussion on hashrate).

The average price for Bitcoin during the three months ended December 31, 2019 was $10,559 (US$8,001), up $3,733 (US$2,823) or 54.7% from $6,826 (US$5,178) for the three months ended December 31, 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 revenue decreased from $6.60 million to $4.00 million, a decrease of 39.3%. The decrease in costs is related to lower depreciation expense given the impairments taken at the end of 2018 on the mining equipment and infrastructure. Further, in classifying the crypto assets as held for sale pursuant to management's decision to exit the cryptocurrency mining industry, the Company stopped recording depreciation expense for these assets.

The cost of mining a Bitcoin, calculated by dividing site operating costs by the number of Bitcoin mined, for the three months ended December 31, 2019 was $10,243, an increase of $5,557 or 119% from $4,686 for the three months ended December 31, 2018.

The increase in the cost of mining a Bitcoin is attributable to the increase in network difficulty corresponding to an increase in network hashrate, resulting in fewer coins mined for the period on a per miner basis. Average network difficulty for the three months ended December 31, 2019 was 13.03 trillion as compared to 6.57 trillion for the three months ended December 31, 2018, an increase of 98%.

The increase in cost per coin on a cash basis would be greater noting that the adoption of IFRS 16 Leases, which classifies the present value of lease payments as depreciation expense against right-of-use assets, has resulted in a lower cost per coin. The cash amount of lease obligations related to mining was $495,000, which would account for an increase in site operating costs on a cash basis of $1,646 per coin.

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 relatively constant. Network hashrate is driven by the global number of mining machines and the corresponding aggregate 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 algorithm is set to automatically adjust the difficulty up or down, which results in higher or lower difficulty, respectively.

Fair value loss on re-measurement of digital assets

Fair value loss on re-measurement of digital assets represents the unrealized loss on adjusting the value of the digital assets on hand to the market value on the reporting date and the realized gain (loss) on the sale of Bitcoin previously recorded at its mined value. As at December 31, 2019, the price of Bitcoin was $9,343 (US$7,193) compared to the average price of Bitcoin for the period of $10,559 (US$8,001). As at December 31, 2018, the price of Bitcoin was $5,106 (US$3,743) compared to the average price of Bitcoin for the period of $7,242 (US$5,511).

Impairment

The Company recognized impairment losses related to the mining equipment of $3.29 million for the three months ended December 31, 2019, as compared to $14.50 million for the comparative year period. As at December 31, 2019, the Company determined that the recoverable amount of mining equipment and mining infrastructure was less than the previously impaired value. The Company impaired the mining equipment and mining infrastructure to its recoverable amount (see notes 10 and 21 of the Q4 2019 Financial Statements).

Comparison of the Year Ended December 31, 2019 and 2018

	Year Ended December 31,			
	2019	2018	Variance	% Change
General and administrative	2,339,506	2,716,195	(376,689)	(13.9%)
Acquisition related costs	749,752	414,779	334,973	80.8%
Interest expense	7,261,290	4,275,329	2,985,961	69.8%
Allowance for loss on loan	6,547,486	—	6,547,486	

General and administrative

General and administrative expenses decreased from $2.72 million for the year ended December 31, 2018, to $2.34 million for the year ended December 31, 2019, a decrease of 13.9%. The decrease in general and administrative expense for the year ended December 31, 2019 as compared to the prior year period was primarily the result of (i) decreased legal and professional fees for general corporate matters, and (ii) decreased consulting fees partially offset by increased salary expense resulting from a full year of salaries for the management team that joined the company in the second quarter of 2018.

Acquisition related costs

Acquisition related costs increased from $0.41 million for the year ended December 31, 2018 to $0.75 million for the year ended December 31, 2019, an increase of 80.8%. During the year ended December 31, 2019, the Company

incurred certain one-time costs for legal and professional fees directly related to acquisition activity in connection with the Wayland transaction as well as due diligence into another potential acquisition. During the year ended December 31, 2018, the Company incurred certain one-time costs directly related to the 205 Acquisition and the 828 Acquisition. These costs include certain legal and professional fees and travel costs required to complete the two transactions.

Interest expense

During the year ended December 31, 2019, the Company incurred interest expenses of $7.26 million compared to interest expense of $4.27 million for the prior year period, resulting in a variance of $2.99 million or 69.8%. During the year ended December 31, 2019, interest expense relates to (i) interest expense 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. During the year ended December 31, 2018, interest expense relates to (i) interest accretion on the fair value adjustment of Convertible Debentures and Promissory Note, and (ii) interest expenses paid on both the Convertible Debentures and Promissory Note.

Allowance for loss on loan

As at December 31, 2019, after review of the market conditions in the cannabis industry and the developments with Wayland, management concluded that it was unlikely that the Company would recover the balance of the loan and decided to provide for an allowance of $6.55 million, representing the entire balance of the loan including accrued interest.

Discontinued operations

	Year ended December 31,			
	2019	**2018**	**Variance**	**% Change**
Revenue	27,264,733	18,079,005	9,185,728	50.8%
Cost of revenue	19,885,674	17,027,702	2,857,972	16.8%
Fair value loss (gain) on re-measurement of digital assets	(34,821)	2,748,829	(2,783,650)	(101.3%)
Impairment	3,288,025	65,458,793	(62,170,767)	(95.0%)

Revenue

During the year ended December 31, 2019, the Company earned $26.42 million in revenue from the mining of Bitcoin and $0.84 million from colocation hosting services as compared to $15.76 million and $2.32 million respectively in the prior year period representing a total increase of 50.8%. During the year ended December 31, 2019, the Company mined 2,952.65 Bitcoins compared to 1,978.45 Bitcoins in the prior year period. The increase in Bitcoins mined is related to a full twelve months of mining operations at both the 205 and 828 facilities in 2019 as compared to the year ended December 31, 2018, offset by increased network difficulty corresponding to increased network hashrate and a corresponding decrease in coin production per miner, as well as a decrease in miner count for the 8,475 miners that were sold in late Q3 of 2019.

The average price for Bitcoin during the year ended December 31, 2019 was $9,881 (US$7,454). Prior to April 3, 2018, the Company was inactive and did not generate revenues. The average price for Bitcoin during the period April 2, 2018 through to December 31, 2018 was $8,587 (US$6,590).

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 revenue increased from $17.03 million to $19.89 million, an increase of $2.86 million or 16.8%. The increase in costs is related to a full year of mining operation for both the 205 and 828 facilities. The cost of mining a Bitcoin, calculated by dividing site operating costs by the number of Bitcoin mined, for the year ended December 31, 2019, was $5,466, an increase of $923 or 20% from $4,543 for the year ended December 31, 2018.

The increase in the cost of mining a Bitcoin is attributable to the increase in network difficulty corresponding to an increase in network hashrate, resulting in fewer coins mined for the period on a per miner basis. Average network difficulty for the year ended December 31, 2019 was 9.00 trillion as compared to 5.70 trillion for the year ended December 31, 2018, an increase of 58%.

The increase in cost per coin on a cash basis would be greater noting that the adoption of IFRS 16 Leases, which classifies the present value of lease payments as depreciation expense against right-of-use assets, has resulted in a lower cost per coin. The cash amount of lease obligations related to mining was $2.00 million, which would account for an increase in site operating costs of $677 per coin on a cash basis.

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 constant. Network hashrate is driven by the global number of mining machines and the corresponding aggregate hashing power of these machines. 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 algorithm is set to automatically adjust the difficulty up or down, which results in higher or lower difficulty, respectively.

Fair value gain (loss) on re-measurement of digital assets

Fair value gain (loss) on re-measurement of digital assets represents the unrealized gain (loss) on adjusting the value of the digital assets on hand to the market value on the reporting date and the realized gain (loss) on the sale of Bitcoin previously recorded at their mined value. As at December 31, 2019, the price of Bitcoin was $9,343 (US$7,193) compared to the average price of Bitcoin for the period of $9,881 (US$7,454). As at December 31, 2018, the price of Bitcoin was $5,106 (US$3,743) compared to the average price of Bitcoin for the period April 3 to December 31, 2018, of $8,587 (US$6,590).

Impairment

The Company recognized impairment losses related to the mining equipment of $3.29 million for the year ended December 31, 2019, as compared to $65.46 million for the comparative year period. As at December 31, 2019, the Company determined that the recoverable amount of mining equipment and mining infrastructure was less than the previously impaired value. The Company impaired the mining equipment and mining infrastructure to its recoverable amount (see notes 10 and 21 of the Q4 2019 Financial Statements).

SUMMARY OF QUARTERLY RESULTS

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

	For the three months ended (unaudited)			
	March 31, 2018	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**
Net loss and comprehensive loss from continuing operations	(152,778)	(845,844)	(2,922,184)	(4,419,635)
Net loss and comprehensive loss	(152,778)	(51,738,445)	(3,437,552)	(18,924,184)
Total assets	13,008,741	66,663,808	64,847,400	17,973,697
Total liabilities	147,023	46,285,348	47,297,695	29,710,012
Basic and diluted loss and comprehensive loss per common share from continuing operations	$ (0.03)	$ (0.17)	$ (0.50)	$ (0.84)
Basic and diluted loss and comprehensive loss per common share	$ (0.03)	$ (10.44)	$ (0.58)	$ (3.60)

	For the three months ended (unaudited)			
	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**
Net loss and comprehensive loss from continuing operations	(3,017,817)	(1,567,595)	(2,658,717)	(9,718,162)
Net income (loss) and comprehensive income (loss)	(3,124,358)	2,850,926	2,141,330	(13,590,497)
Total assets	23,425,111	24,686,641	28,472,513	15,581,954
Total liabilities	38,235,186	36,947,189	38,541,134	38,847,679
Basic and diluted loss and comprehensive loss per common share from continuing operations	$ (0.24)	$ (0.12)	$ (0.21)	$ (0.73)
Basic and diluted income (loss) and comprehensive income (loss) per common share	$ (0.25)	$ 0.22	$ 0.17	$ (0.85)

LIQUIDITY AND CAPITAL RESOURCES

The Company recommenced earning revenues in April of 2018. However, it has limited history and no assurances that historical performance will be indicative of future performance. The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent on the Company's ability to profitably mine cryptocurrencies and then exchange the cryptocurrencies for fiat currency. As at December 31, 2019, the Company had a negative working capital balance of $23.46 million (December 31, 2018 – $2.23 million), of which 31.98 million relates to the convertible debentures that comes due on June 21, 2020 and can be settled with the issuance of common shares. As a result, the working capital as it relates to cash needs is $8.51 million which is sufficient cash to fund its current operating and administrative costs.

Contractual obligations

The following is a summary of the Company's contractual obligations at December 31, 2019:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Convertible Debenture[1]	35,728,011	35,728,011	—	—	—
Lease obligations	277,268	127,970	149,298	—	—
Total	**$36,005,279**	**$35,855,981**	**$ 149,298**	**$ —**	**$ —**

[1]Includes principal and interest.

Financial instruments and risk management

The Company is exposed to various risks including market risk, liquidity risk, and other risks related to its current concentration in a single asset, Bitcoin. Investing in Bitcoin is highly speculative and volatile. The investment objective of the Company has been 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 prices of 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 December 31, 2019 in Canadian dollar terms:

	USD
Cash	$ 1,631

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	$ 163

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 December 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 be $12,642.

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 Bitcoin 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. The convertible debenture with a principal balance of $34,500,000 matures on June 21, 2020.

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.

CASH FLOWS BY ACTIVITY

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

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

	Three Months Ended December 31,			
		2019		2018
Net cash (used in) provided by operating activities	$	(829,936)	$	2,915,318
Net cash used in financing activities	$	(1,906,574)	$	(3,999,556)
Net cash (used in) provided by investing activities	$	(249,460)	$	116,328

Cash (used in) provided by Operating Activities

The Company used cash from operating activities for the three months ended December 31, 2019. The Company's cash outflows from operating activities relate to (i) cash outflows related to mining costs incurred in the period and (ii) uncollected sales tax receivable partially offset by the sale of Bitcoin in the period.

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

Cash used in Financing Activities

During the three months ended December 31, 2019, the Company's cash outflows from financing activities related to (i) interest paid on the convertible debenture, and (ii) cash paid on the settlement of lease obligations. During the three months ended December 31, 2018, the Company's cash outflows from financing activities related to cash paid on the settlement of the Promissory Note and interest paid on the Convertible Debenture.

Cash (used in) provided by Investing Activities

During the three months ended December 31, 2019, the Company's cash outflows in investing activities related to the loan advanced to the Wayland Group. During the three months ended December 31, 2018, the Company's cash provided by investing activities corresponded to refunds on the purchase of certain infrastructure upgrades.

Comparison of the Year Ended December 31, 2019 and 2018

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

	Year Ended December 31,	
	2019	**2018**
Net cash provided by (used in) operating activities	$ 8,099,679	$ (5,692,847)
Net cash (used in) provided by financing activities	$ (4,887,741)	$ 34,323,723
Net cash used in investing activities	$ (3,499,628)	$ (40,260,855)

Cash provided by (used in) Operating Activities

The Company generated cash inflows from operating activities for the year ended December 31, 2019. The Company's cash inflows from operating activities resulted from the sale of Bitcoin in the period, partially offset by (i) cash outflows related to mining costs incurred in the period, (ii) uncollected sales tax receivable, and (iii) settlement of payables primarily related to legal and professional fees accumulated in prior quarters.

The Company's cash outflow from operating activities increased for the year ended December 31, 2018 as compared to the prior year period primarily as a result of (i) cash outflows related to mining costs incurred in the period, (ii) settlement of acquired payables, and (iii) increased prepaid deposits for rent and electricity. These cash outflows were partially offset by the sale of Bitcoin and funds collected from colocation revenue.

Cash (used in) provided by Financing Activities

During the year ended December 31, 2019, the Company's cash outflows from financing activities related to interest paid on the Convertible Debentures and cash paid on the settlement of lease obligations. During the year ended December 31, 2018, the Company's cash inflows from financing activities related to (i) proceeds from the issuance of the Convertible Debentures and (ii) proceeds from issuance of Common Shares in relation to exercised warrants. These inflows were partially offset by interest paid on the Convertible Debentures and Promissory Note.

Cash used in Investing Activities

During the year ended December 31, 2019, the Company's cash outflows in investing activities relate to the loan to the Wayland Group offset by the proceeds from the sale of certain cryptocurrency mining equipment. During the year ended December 31, 2018, the Company's cash outflows from investing activities related to the (i) completion of the 828 Acquisition, (ii) settlement of the shareholder loan assigned in the 205 Acquisition, and (iii) purchase of mining equipment, infrastructure and office equipment. These cash outflows were partially offset by interest earned on short-term investments.

SIGNIFICANT JUDGMENTS AND ESTIMATES

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

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

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.

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 profit or loass. 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 equity instruments

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 stock options and warrants, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating fair value for stock options and warrants are disclosed in note 15.

Accounting for digital assets

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

Fair value of digital assets

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

Useful life of mining equipment

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

Mining equipment	3 years
Supporting infrastructure	5 years

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

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

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

its useful life. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

SIGNIFICANT ACCOUNTING POLICIES

Accounting for business combinations

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

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

Revenue recognition

Bitcoin mining

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

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

Revenue is recognized by the Company when payment, in the form of Bitcoin, is received for successful mining services rendered. Revenue earned from Bitcoin mining activities is recognized at the fair value of the Bitcoin received as consideration on the date of actual receipt. Fair value is measured using the closing price on Coin Market Cap on the date of receipt. During the year ended December 31, 2019, the Company recognized $26,420,383 (2018 - $15,758,349) in revenue from discontinued Bitcoin mining operations.

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

Colocation services

The Company earns colocation revenue from one customer at one of its mining facilities in exchange for hosting the customer's cryptocurrency mining equipment. Colocation revenue is recognized in profit or loss based on the consumption of electricity on a monthly basis.

Digital assets

Digital assets are generated from the Company's mining activities, which meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Where digital assets are recognized as revenue, the fair value of the Bitcoin received is considered to be the cost of the digital assets. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital asset at the end of each of its three interim financial

reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

The Company obtains the equivalency rate of tradable digital assets to USD from Coin Market Cap, a source that aggregates data from multiple exchanges and applies a methodology to determine the best quoted USD price on the date the digital assets were generated. The Company converts the price from USD to CAD based on the closing exchange rate on the date of asset generation. The equivalency rate obtained from Coin Market Cap represents a generally well recognized quoted price for tradeable digital assets, and this information and all related databases are accessible to the Company.

Equipment

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

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

Mining servers	3 years	straight-line
Supporting infrastructure	5 years	straight-line
Office equipment	5 years	straight-line

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

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

Financial instruments

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

Financial assets

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

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

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

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

Impairment of financial assets

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

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

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

Financial liabilities

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

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

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

Loss per share

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

Share issue costs

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

Share-based transactions

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

Income taxes

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

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

Current income tax

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

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

Deferred income tax

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

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

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

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

Adoption of IFRS 16, Leases and resulting changes to lease accounting policy

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 dual 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 that 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)

		January 1, 2019
Minimum operating lease commitment at December 31, 2018	**$**	**9,100,238**
Short-term leases not recognized under IFRS 16		—
Undiscounted lease payments		9,100,238
Effect of discounting using the incremental borrowing rate as at the date of initial application		(2,049,822)
Lease liabilities for leases classified as finance leases under IAS 17		7,050,416
Leases previously classified as finance leases under IAS 17		—
Total lease liability as at January 1, 2019	**$**	**7,050,416**

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.
- On transition to IFRS 16, the Company elected to measure the right-of-use assets at the amount equal to the lease liabilities. As at January 1, 2019, the Company recognized $7,050,416 of right-of-use asset and lease liabilities, with a $nil impact on deficit.

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 a 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 an 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.

RELATED PARTY TRANSACTIONS

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

The compensation of such key management for the year ended December 31, 2019 and 2018 included the following:

		2019		2018
Salaries and director remuneration	$	828,625	$	700,089
Stock-based compensation expense - directors and officers		193,189		2,471,087
	$	**1,021,814**	**$**	**3,171,176**

As at December 31, 2019, included in accounts payable and accrued liabilities was $30,194 (2018 – $107,256) of payments owed to key management personnel. As at December 31, 2019, $nil (2018 – $39,794) of the amount included in accounts payable and accrued liabilities relate to salaries payable which will be settled through the transfer of bitcoin.

OFF BALANCE SHEET ARRANGEMENTS

As at December 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 12, 2020
Common shares	12,719,171
Stock options	216,667
Share purchase warrants	1,150,000
Total Common Shares on a fully-diluted basis	**14,085,838**

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.