CRYPTOLOGIC CORP.

Consolidated Financial Statements
For the year ended December 31, 2020
(expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cryptologic Corp.

Opinion

We have audited the consolidated financial statements of Cryptologic Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 11, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

CRYPTOLOGIC CORP.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Current assets			
Cash		$ 7,677,172	$ 226,532
Prepaid expenses and deposits	5	54,582	126,545
Sales tax receivable		127,941	—
Assets classified as held for sale	8	—	14,895,004
Total current assets		**7,859,695**	**15,248,081**
Non-current assets			
Prepaid expenses and deposits	5	15,996	15,996
Right of use assets	9	191,862	263,810
Equipment	10	39,291	54,067
Total non-current assets		**247,149**	**333,873**
Total assets		**$ 8,106,844**	**$ 15,581,954**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 162,772	$ 388,356
Current portion of lease liability	12	115,172	104,585
Liabilities classified as held for sale	8	—	6,239,595
Convertible debenture	13	—	31,976,469
Total current liabilities		**277,944**	**38,709,005**
Long-term liabilities			
Lease liability	12	21,013	138,674
Total long-term liabilities		**21,013**	**138,674**
Total liabilities		**298,957**	**38,847,679**
Shareholders' equity (deficiency)			
Share capital	14	88,438,709	79,675,709
Warrants	15	—	1,606,933
Contributed surplus	15	14,312,982	12,397,790
Deficit		(94,943,804)	(116,946,157)
Total shareholders' equity (deficiency)		**7,807,887**	**(23,265,725)**
Total liabilities and shareholders' equity (deficiency)		**$ 8,106,844**	**$ 15,581,954**

Nature of operations (note 1)
Subsequent event (note 25)

Approved on behalf of the Board:

/s/ Dale Johnson
Dale Johnson, Director and
Chairman of the Board

/s/ John Kennedy Fitzgerald .
John Kennedy Fitzgerald, Director and
Chief Executive Officer

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

CRYPTOLOGIC CORP.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	Note	For the years ended December 31, 2020	2019
Expenses			
General and administrative	19	$ 3,004,657	$ 2,339,506
Stock-based compensation	15	308,259	193,189
Acquisition related costs		319,790	749,752
		3,632,706	**3,282,447**
Other income (loss)			
Interest expense, net	12, 13, 23	(1,585,693)	(6,963,804)
Allowance for loss on loan	23	—	(6,547,486)
Unrealized fair value gain on derivative liability		—	49,120
Gain on extinguishment of convertible debenture	13	24,775,610	—
Gain on sale of marketable securities	7	4,306,458	—
Allowance for sales tax receivable	24	(158,915)	(202,802)
Finance charges		(140,930)	—
Foreign exchange loss		(247)	(14,872)
Net income (loss) from continuing operations		**23,563,577**	**(16,962,291)**
Income (loss) from discontinued operations	8	(1,561,224)	5,239,692
Net income (loss) and comprehensive income (loss) for the period		**$ 22,002,353**	**$ (11,722,599)**
Income (loss) per share from continuing operations - basic and diluted		$ 0.77	$ (1.33)
Income (loss) per share - basic and diluted		$ 0.72	$ (0.92)
Weighted average number of shares outstanding - basic and diluted		**30,757,199**	**12,719,171**

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

CRYPTOLOGIC CORP.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	Share Capital					
	Common shares Number	Common shares Amount	Warrants	Contributed Surplus	Deficit	Total
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	—	933,385	(1,285,381)	351,996	—	**—**
Stock-based compensation	—	—	—	193,189	—	**193,189**
Net loss and comprehensive loss for the year	—	—	—	—	(11,722,599)	**(11,722,599)**
Balance – December 31, 2019	**12,719,171**	**$ 79,675,709**	**$ 1,606,933**	**$ 12,397,790**	**$ (116,946,157)**	**$ (23,265,725)**
Expiry of warrants	—	—	(1,606,933)	1,606,933	—	**—**
Issuance of common shares in connection with conversion of Convertible Debenture	35,879,991	8,763,000	—	—	—	**8,763,000**
Stock-based compensation	—	—	—	308,259	—	**308,259**
Net income and comprehensive income for the year	—	—	—	—	22,002,353	**22,002,353**
Balance – December 31, 2020	**48,599,162**	**$ 88,438,709**	**$ —**	**$ 14,312,982**	**$ (94,943,804)**	**$ 7,807,887**

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

CRYPTOLOGIC CORP.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(expressed in Canadian dollars)

	For the years ended December 31,	
	2020	**2019**
Cash flows from operating activities		
Net income (loss)	$ 22,002,353	$ (11,722,599)
Changes in non-cash operating items:		
Mining revenue	(3,102,562)	(26,420,383)
Colocation revenue settled with digital assets	—	(679,952)
Depreciation	57,172	3,833,127
Impairment	—	3,288,026
Allowance for loss on loan	—	6,547,486
Fair gain on re-measurement of digital assets	(79,916)	(34,821)
Gain on extinguishment of convertible debenture	(24,775,610)	—
Gain on sale of marketable securities	(4,306,458)	—
Unrealized fair value gain on derivative liability	—	(49,120)
Loss (gain) on disposal of equipment	1,706,948	(1,473,369)
Loss on sale of subsidiary	646,331	—
Gain on lease modification	(220,399)	—
Foreign exchange gain	246	244,725
Stock-based compensation	308,259	193,189
Interest expense, net	719,404	3,237,929
Interest accretion	1,010,141	4,465,986
	(6,034,091)	(18,569,776)
Changes in non-cash working capital		
Prepaids	376,006	92,063
Sales tax receivable	1,586,279	(1,881,205)
Digital assets	3,308,798	28,845,476
Accounts payable and accrued liabilities	(416,599)	(704,929)
Security deposit	(318,050)	318,050
Net cash (used in) provided by operating activities	**(1,497,657)**	**8,099,679**
Cash flows from financing activities		
Interest paid	—	(2,760,000)
Lease repayments	(670,659)	(2,127,741)
Net cash used in financing activities	**(670,659)**	**(4,887,741)**
Cash flows from investing activities		
Proceeds from sale of subsidiary	1,734,315	—
Proceeds from sale of equipment	—	2,750,372
Proceeds from sale of marketable securities	7,306,458	—
Interest earned on cash equivalents	6,014	—
Loans advanced	—	(6,250,000)
Return of proceeds from sale of equipment	(79,686)	—
Net cash provided by (used in) investing activities	**8,967,101**	**(3,499,628)**
Change in cash during the year	6,798,785	(287,690)
Cash – beginning of year	226,532	1,166,077
Cash included in assets held for sale	651,855	(651,855)
Cash – ending	**$ 7,677,172**	**$ 226,532**

Cash flows from discontinued operations (note 8)

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

1. NATURE OF OPERATIONS

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

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

On April 8, 2020, the Company sold all of the shares of its wholly-owned subsidiary 9376-9974 Quebec Inc., ("9376"), which was engaged in cryptocurrency mining operations located in Lachute, Quebec. See note 8.

On June 30, 2020, convertible debentures with a principal balance of $34,500,000 and accrued interest of $1,380,000 were converted into 35,879,991 shares of the Company.

On August 7, 2020, the Company (i) terminated the lease of its wholly-owned subsidiary, Crypto 205 Inc., at its cryptocurrency mining facility in Pointe-Claire, Quebec, effective July 31, 2020, and (ii) terminated the employment contracts of all of its employees.

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 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 effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

The common shares trade on the Canadian Stock Exchange ("CSE") under the symbol "CRY".

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 11, 2021.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

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.

Functional and presentation currency

These consolidated financial statements have been prepared in Canadian dollars ("CAD"), which is the Company's functional and presentation currency.

Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All inter-company transactions are eliminated on consolidation.

As of December 31, 2020, the Company had four wholly owned subsidiaries: (i) Vogogo Canada Inc., (ii) Crypto 205 Inc. ("Crypto 205"), (iii) 2700313 Ontario Inc., and (iv) 2700311 Ontario Inc.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

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

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 loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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 14.

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.

Leases

In determining lease terms, the Company used its judgment to determine that the extension options were not significant. Furthermore, the Company does not believe the interest rate implicit in its leases can be readily determined. It therefore used its judgment to determine the incremental borrowing rate and use it as the discount rate to establish its lease liability.

For every lease, management makes a judgment to determine the appropriate lease term. Management considers all relevant facts and circumstances that create an economic incentive for the Company to exercise a renewal option or not to exercise a termination option, including, for example, investments in extensive leasehold improvements. The periods covered by the renewal options are included in the lease term only if management is reasonably certain it will renew the lease.

Management considers reasonable certainty to be a high threshold. Changes in the economic environment can have an impact on management's lease term assessments, and any changes in the estimates that management makes for lease terms could have a significant impact on the Company's consolidated statement of financial position and consolidated statement of profit or loss.

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.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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.

4. 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, 2020, the Company recognized $3,102,562 (2019 - $26,420,383) in revenue from discontinued Bitcoin mining operations.

Colocation services

The Company earned 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 United States Dollars ("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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leases

The Company leases property. As is permitted under IFRS 16, the Company elected to expense its short-term leases (term of 12 months or less) and leases of low-value assets, such as computer equipment, on a straight-line basis over the lease term.

For its other contracts, the Company assesses whether its new or amended contracts contain a lease.

A lease represents the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses the following:

- Is the identified asset directly or indirectly specified in the contract, or does it represent substantially all of the capacity of an asset that is physically distinct?
- Does the right of use cover substantially all of the economic benefits from use of the identified asset for a period of time?
- Does the Company have the right to direct the use of the identified asset? In cases where the use is predetermined, does the Company operate the asset or did the Company design the asset in a way that predetermines how and for what purpose the asset will be used?

When a lease is identified, the Company allocates the consideration in the contract to each of the lease components, separately from the non-lease components, on the basis of their relative stand-alone price. However, as is permitted under IFRS 16, the Company elected to account for all contracts of land and buildings it occupies as leases.

A right-of-use asset (a "lease asset") and a lease liability are recognized in the statement of financial position at the lease commencement date.

Lease asset

A lease asset is initially recognized at cost, which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made or any lease incentives received at or before the commencement date, plus any initial direct costs incurred by the Company and an estimate of costs to be incurred in dismantling, removing or restoring the asset or site, as required by the terms and conditions of the lease.

The lease asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the lease asset or the end of the lease term. The useful life of a lease asset is measured on the same basis as the Company's other property, plant and equipment.

The Company presents its leased property in Note 9.

Lease liability

A lease liability is initially measured at the present value of the lease payments that are not paid at that date using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is generally the case. The lease payments comprise the following: fixed payments; variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date; an estimate of the amounts to be payable under residual value guarantees; as well as amounts the Company is reasonably certain to pay as the exercise price of a purchase or extension option, or as a penalty to exercise a termination option.

(expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease liability is subsequently remeasured at amortized cost using the effective interest method.

When there is a change in lease payments resulting from a change in an index or a rate or a change in an estimated amount, the amount of such an adjustment is offset in the unamortized cost of the lease asset or reported in the consolidated statement of profit or loss when the lease asset is fully impaired.

The Company presents its lease liabilities (see note 12) and the interest on its lease liabilities (calculated at the effective interest rate) with its interest expenses in the consolidated statement of profit or loss.

5. PREPAID EXPENSES AND DEPOSITS

The Company's prepaid expenses comprise the following:

		As at December 31, 2020		As at December 31, 2019
Prepaid expenses	$	54,582	$	126,545
Vendor deposits		15,996		15,996
Prepaid expenses and deposits	**$**	**70,578**	**$**	**142,541**
Current		54,582		126,545
Long-term		15,996		15,996

Included in the long-term portion of prepaid expenses and deposits as at December 31, 2020, are security deposits for rent of $15,996 (2019 – $15,996) that have been classified as long-term.

6. DIGITAL ASSETS

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

		Amount	Units
Balance as at December 31, 2018	**$**	**1,562,290**	**305.98**
Mined additions		26,420,383	2,952.65
Equipment sale settled in coin		247,071	20.36
Colocation fees settled in coin		747,062	68.68
Coins sold		(28,845,476)	(3,326.00)
Coins transferred to settle accounts payable		(39,794)	(8.14)
Fair value gain on re-measurement of coin		34,879	—
Reclassified to assets held for sale (note 8)		(126,415)	(13.53)
Balance as at December 31, 2019	**$**	—	—
Opening coins on hand		126,415	13.53
Mined additions		3,102,562	278.92
Coins sold		(3,308,893)	(292.44)
Fair value gain on re-measurement of coin		79,916	—
Balance as at December 31, 2020	**$**	—	—

(expressed in Canadian dollars)

6. DIGITAL ASSETS (continued)

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.

During the year ended December 31, 2019, the Company sold 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 to the Company.

7. MARKETABLE SECURITIES

On April 8, 2020, the Company received 15,000,000 common shares of HIVE Blockchain Technologies Ltd. ("Hive") as partial consideration for the sale of its subsidiary 9376-9974 Quebec Inc. (note 8).

The following table reflects the movement in marketable securities as at December 31, 2020:

Balance January 1, 2020	$	—
Hive consideration shares received		3,000,000
Proceeds from disposition		(7,306,458)
Realized gain		4,306,458
Balance at December 31, 2020	**$**	**—**

(expressed in Canadian dollars)

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company evaluated the cryptocurrency mining business and decided to divest of its crypto assets. The decision led to the classification of the crypto-mining related assets and liabilities as held for sale.

The following is a summary of the financial performance and cash flow information for the years ended December 31, 2020 and 2019:

	For the years ended December 31,	
	2020	**2019**
Revenue		
Digital assets mined	$ 3,102,562	$ 26,420,383
Colocation revenue	1,717,114	844,350
Cost of revenue		
Site operating costs	(4,205,727)	(16,139,272)
Depreciation	—	(3,746,402)
Net mining income	**613,949**	**7,379,059**
Expenses		
Fair value gain on re-measurement of digital assets	(79,916)	(34,821)
Impairment	—	3,288,025
	(79,916)	**3,253,204**
Other income (loss)		
Gain (loss) on disposal of equipment	(1,706,948)	1,473,369
Loss on sale of subsidiary	(646,331)	—
Sales tax recovered	27,657	610,432
Gain on lease modification	220,399	—
Interest expense	(149,866)	(740,112)
Foreign exchange loss	—	(229,852)
Net income (loss) from discontinued operations	**(1,561,224)**	**5,239,692**

	For the years ended December 31,	
	2020	**2019**
Net cash provided by operating activities	$ 2,210,537	$ 11,479,245
Net cash used in financing activities	$ (2,766,493)	$ (14,702,129)
Net cash (used in) provided by investing activities	$ (79,686)	$ 2,750,372

(expressed in Canadian dollars)

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

The following is a summary of assets and liabilities classified as held for sale at December 31, 2020, and 2019:

	As at December 31, 2020	As at December 31, 2019
Cash	$ —	$ 651,855
Prepaid expenses and deposits	—	1,314,005
Sales tax receivable	—	2,108,571
Digital assets	—	126,415
Equipment	—	5,493,621
ROU Asset	—	5,200,537
Assets classified as held for sale	**$ —**	**$ 14,895,004**

	As at December 31,	As at December 31,
Accounts payable and accrued liabilities	$ —	$ (466,713)
Customer deposits	—	(318,050)
Lease liability	—	(5,454,832)
Liabilities classified as held for sale	**$ —**	**$ (6,239,595)**

On April 8, 2020, the Company sold all of the shares of its wholly-owned subsidiary 9376-9974 Quebec Inc. to Hive. As consideration, Hive issued 15,000,000 of its common shares ("Hive Shares") at $0.20 per share for $3,000,000 of consideration and paid $1,956,231 in cash. Subsequent to the closing of the transaction, the Company settled $221,916 in working capital adjustment to Hive for net cash proceeds of $1,734,315.

The following table shows the loss on sale of the subsidiary:

Consideration received:	
Cash	1,734,315
Marketable securities	3,000,000
Total disposal consideration	**4,734,315**
Carrying amount of net assets sold	(5,380,646)
Loss on sale of subsidiary	**$ (646,331)**

(expressed in Canadian dollars)

8. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

The carrying amounts of assets and liabilities as at the date of the sale, April 8, 2020, were:

	As at April 8, 2020	As at December 31, 2019
Cash	$ —	$ 250,983
Prepaid expenses and deposits	1,009,962	1,029,404
Sales tax receivable	394,350	1,906,186
Digital assets	—	126,320
Equipment	4,000,000	4,000,000
ROU Asset	3,415,811	4,607,194
Total assets	**$ 8,820,123**	**$ 11,920,087**

	As at April 8,	As at December 31,
Accounts payable and accrued liabilities	$ (246,297)	$ (151,025)
Lease liability	(3,193,179)	(4,827,492)
Total liabilities	**$ (3,439,476)**	**$ (4,978,517)**
Net assets	**5,380,646**	**6,941,570**

9. RIGHT OF USE ASSETS

	Buildings	Total
Balance as at January 1, 2019	$ 7,050,416	$ 7,050,416
Depreciation	(1,586,069)	(1,586,069)
Reclassified to assets held for sale (note 8)	(5,200,537)	(5,200,537)
Balance as at December 31, 2019	**263,810**	**263,810**
Depreciation	(71,948)	(71,948)
Balance as at December 31, 2020	**$ 191,862**	**$ 191,862**

During the year ended December 31, 2020, $nil (December 31, 2019 - $1,514,121) of depreciation was charged as a cost of revenue to mining operations, which has been reclassified on the consolidated statements of income (loss) and comprehensive income (loss) to discontinued operations.

(expressed in Canadian dollars)

10. EQUIPMENT

COST	Mining equipment	Infrastructure	Office equipment	Total
Balance as at December 31, 2019	$ —	$ —	$ 73,883	$ 73,883
Balance as at December 31, 2020	$ —	$ —	$ 73,883	$ 73,883
ACCUMULATED AMORTIZATION				
Balance as at December 31, 2019	$ —	$ —	$ 19,815	$ 19,815
Amortization	—	—	14,777	14,777
Balance as at December 31, 2020	$ —	$ —	$ 34,592	$ 34,592

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 (note 8)	(9,422,328)	(17,839,676)	—	(27,262,004)
Balance as at December 31, 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	1,327,632	904,649	14,777	2,247,058
Disposal	(13,023,688)	—	—	(13,023,688)
Impairment	1,993,291	1,294,734	—	3,288,025
Reclassification to assets held for sale (note 8)	(8,680,926)	(13,087,457)	—	(21,768,383)
Balance as at December 31, 2019	$ —	$ —	$ 19,816	$ 19,816
At December 31, 2019	$ —	$ —	$ 54,067	$ 54,067
At December 31, 2020	$ —	$ —	$ 39,291	$ 39,291

During the years ended December 31, 2020, $nil (2019 – $2,232,281) of depreciation was charged as a cost of revenue to mining operations that has been reclassified on the consolidated statements of income (loss) and comprehensive income (loss) to discontinued operations.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, 2020	As at December 31, 2019
Trade accounts payable	$ 102,772	$ 388,356
Accrued liabilities	60,000	—
Accounts payable and accrued liabilities	**$ 162,772**	**$ 388,356**

(expressed in Canadian dollars)

12. LEASE LIABILITY

The following table details the movement in the Company's lease liability for the year ended December 31, 2020:

		Lease liability
Balance as at January 1, 2019	$	7,050,416
Interest		775,416
Repayments		(2,127,741)
Reclassified to assets held for sale (note 8)		(5,454,832)
Balance as at December 31, 2019		**243,259**
Interest		23,552
Repayments		(130,626)
Balance as at December 31, 2020	**$**	**136,185**
Current portion		115,172
Long-term portion		21,013

The following table details the undiscounted cash flows and contractual maturities of the Company's lease liability, as at December 31, 2020:

		Within one year		Later than one year but not later than 5 years		More than 5 years
Lease liability	$	127,970	$	21,328	$	—

13. CONVERTIBLE DEBENTURE

On June 21, 2018, the Company issued 34,500 debenture units (the "Units") for proceeds of $34,500,000. Each Unit was comprised of $1,000 principal amount of senior unsecured extendible non-redeemable convertible debentures ("Convertible Debentures") and 33 warrants ("Warrants"). Each unit entitled 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 bore interest at 8% per annum, payable semi-annually, were unsecured and matured in 24 months. The fair value of the Convertible Debentures was recorded at $25,543,181, discounted at 20%, and was net of transaction costs. The accretion expense for the year ended December 31, 2020, was $1,010,141 (December 31, 2019 – $4,465,986). Interest expense incurred for the year ended December 31, 2020 was $552,000 (December 31, 2019 – $2,760,000). Interest paid for the years ended December 31, 2020 was $nil (for the year ended December 31, 2019 – $2,760,000).

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 was priced at $1,000 per unit and was 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.

(expressed in Canadian dollars)

13. CONVERTIBLE DEBENTURE (continued)

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 were an aggregate of 15 days on which the daily volume-weighted average trading price of the common shares on the CSE (or such other exchange on which the common shares may trade) equaled or exceeded $27.00, the Company could force conversion at $15.00, upon giving Convertible Debenture holders 30 days advance written notice (a "Forced Conversion"). If Convertible Debentures were subject to a forced conversion in the 12 month period following the closing date, holders of Convertible Debentures would 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 have been an aggregate of 15 trading days on which the daily volume-weighted average trading price of the common shares on the CSE equaled or exceeded $33, the Company could issue a notice of acceleration (an "Acceleration Notice") and, thereafter, the Warrants would expire on a Business Day specified in the Acceleration Notice, which date was not be less than 20 days after the date of the Acceleration Notice.

The Company amortized 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.

At a special meeting of holders of 8% extendible convertible unsecured debentures held in Toronto on March 13, 2020, the Company received approval of an extraordinary resolution to amend the terms of the debenture indenture between the Company and AST Trust Company (Canada) (the "Trustee") dated June 21, 2018. The Company and the Trustee entered into a supplemental indenture on March 13, 2020, effecting the amendments set out in the extraordinary resolution. In accordance with the debenture indenture, as amended by the supplemental indenture, the Corporation could force the conversion of the entire principal amount of the debentures and all accrued but unpaid interest at the conversion price ("Conversion Price") at any time, upon giving debenture holders 10 days' advance written notice. The modification of the conversion price and the ability for the Company to force conversion of the Convertible Debentures resulted in an extinguishment of the Convertible Debentures. On extinguishment, the fair value of the Convertible Debentures and accrued interest was determined to be $8,763,000 as determined by the market price of the Company's shares. On the extinguishment date, the Company determined that the Convertible Debentures met equity classification and recorded the fair value of $8,763,000 in contributed surplus. The carrying value of the Convertible Debentures and accrued interest on the date of extinguishment was $33,538,610 which resulted in a gain on extinguishment of the Convertible Debentures of $24,775,610 recorded in the consolidated statements of income (loss) and comprehensive income (loss).

On June 30, 2020, the Company forced conversion of the Convertible Debentures into 35,879,991 common shares of the Company and the value of $8,763,000 was reallocated from contributed surplus to share capital.

During the year ended December 31, 2020, a total of 1,150,000 warrants expired. On the expiry of 1,150,000 warrants, the value of $1,606,933 originally allocated to warrants was reallocated to contributed surplus.

(expressed in Canadian dollars)

13. CONVERTIBLE DEBENTURE (continued)

The following table reflects movements of each component of Convertible Debentures:

	Liability component of Convertible Debenture	Warrants component of Convertible Debenture	Equity component of Convertible Debenture
Balance - December 31, 2018	**$ 27,510,483**	**$ 1,958,929**	**$ 2,706,796**
Accretion of liability component of Convertible Debenture (effective interest rate of 25%)	4,465,986	—	—
Expiry of broker warrants	—	(351,996)	351,996
Balance - December 31, 2019	**31,976,469**	**1,606,933**	**3,058,792**
Accretion of liability component of Convertible Debenture (effective interest rate of 25%)	1,562,141	—	—
Converted to common shares	(33,538,610)	—	—
Expiry of warrants	—	(1,606,933)	1,606,933
Balance - December 31, 2020	**$ —**	**$ —**	**$ 4,665,725**

14. SHARE CAPITAL

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

During the year ended December 31, 2020:

- On June 30, 2020, the Company elected to force conversion of the Convertible Debentures into 35,879,991 common shares of the Company. On conversion the equity value of 8,763,000 was transferred from contributed surplus to share capital (see note 13). No fractional common shares were issued and any fractions of a Common Share were rounded down to the nearest whole number of common shares (see note 13).

During the year ended December 31, 2019:

- the Company consolidated its common shares on the basis of one new common share for every thirty old common shares issued and outstanding at that time (see note 2).

- a total of 561,000 warrants expired. As a result, the Company reversed the fair value of $933,385 to share capital.

15. CONTRIBUTED SURPLUS AND WARRANTS

	As at December 31, 2020		As at December 31, 2019	
	Contributed surplus	Warrants	Contributed surplus	Warrants
Beginning balance	**$ 12,397,790**	**$ 1,606,933**	**$ 11,852,605**	**$ 2,892,314**
Stock-based compensation	308,259	—	193,189	—
Expiry of warrants	1,606,933	(1,606,933)	351,996	(1,285,381)
Ending balance	**$ 14,312,982**	**$ —**	**$ 12,397,790**	**$ 1,606,933**

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.

(expressed in Canadian dollars)

15. CONTRIBUTED SURPLUS AND WARRANTS (continued)

On October 20, 2020, the Board of Directors authorized and approved the granting of 4,600,000 options under the Company's Plan to various consultants and directors. The options granted shall vest and become exercisable at 33.33% immediately and 33.33% every 6 months therefore over a one-year period. All options expire five years from the date of their grant.

On October 31, 2020, an aggregate of 216,667 stock options previously held by a certain officer of the Company expired.

A summary of the stock option transactions are as follows:

	As at December 31, 2020			As at December 31, 2019		
	Number of options		Weighted average exercise price $	Number of options		Weighted average exercise price $
Beginning balance	216,667	$	1.95	216,667	$	1.95
Granted	4,600,000		0.27	—		—
Expired	(216,667)		(1.95)	—		—
Ending balance	**4,600,000**	**$**	**0.27**	**216,667**	**$**	**1.95**

The following provides a summary of options outstanding and exercisable as at December 31, 2020:

Number of Options Outstanding		Exercise Price $	Expiry Date	Number of Options Exercisable		Exercise Price $
4,600,000	$	0.27	October 20, 2025	1,533,333	$	0.27
4,600,000	**$**	**0.27**		**1,533,333**	**$**	**0.27**

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, 2020
Expected volatility		100%
Expected life		3 years
Expected forfeiture rate		0%
Risk-free interest rate		0.25%
Dividend yield		0%
Weighted average share price	$	0.27
Weighted average fair value of options at grant date	$	0.17

The Company recorded stock-based compensation expense for the year ended December 31, 2020, for options of $308,259 (2019 – $193,189) with an offsetting increase to contributed surplus in respect of the stock options granted. No stock options were exercised during the years ended December 31, 2020 or 2019, and as a result $nil was transferred to share capital from contributed surplus. The weighted average remaining life of the options is 4.81 years.

(expressed in Canadian dollars)

15. CONTRIBUTED SURPLUS AND WARRANTS (continued)

Warrants

A summary of warrant transactions is as follows:

	As at December 31, 2020		As at December 31, 2019	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Beginning balance	1,150,000	$ 21.00	1,711,046	$ 16.20
Expired	(1,150,000)	(21.00)	(561,046)	(6.68)
Ending balance	**—**	**$ —**	**1,150,000**	**$ 21.00**

During the year ended December 31, 2020, a total of 1,150,000 warrants expired. On the expiry of 1,150,000 warrants, the value of $1,606,933 originally allocated to warrants was reallocated to contributed surplus.

During the year ended December 31, 2019, a total of 561,000 warrants and 46 Broker Warrant Units expired. On the expiry of 561,000 warrants, the value of $933,385 originally allocated to reserves was reallocated to share capital. On the expiry of 46 Broker Warrant Units, the value of $351,996 originally allocated to warrants was reallocated to contributed surplus.

16. FAIR VALUE DISCLOSURE AND CAPITAL MANAGEMENT

Fair value measurements 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 the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

17. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, warrants, and stock options. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to various risks including market risk, liquidity risk.

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 at December 31, 2020, the Company is not exposed to any interest rate risk.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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) 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, 2020 in Canadian dollar terms:

	USD
Cash	$ 603

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	$ 60

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. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies.

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 has cash of $7,677,172 and has positive working capital of $7,581,751 in order to manage its liquidity risk. All of the Company's liabilities are due within the next two years.

19. 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:

	Years Ended December 31,	
	2020	2019
General and administrative		
Office and administrative	$ 296,199	$ 315,821
Legal and professional fees	446,112	418,215
Consulting fees	276,280	22,124
Travel and entertainment	76,727	208,929
Depreciation	86,725	86,725
Salaries	1,822,614	1,287,692
	$ 3,004,657	**$ 2,339,506**

(expressed in Canadian dollars)

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 years ended December 31, 2020 and 2019 included the following:

	2020	2019
Salaries, severance and director remuneration	$ 1,691,233	$ 828,625
Stock-based compensation expense - directors and officers	308,259	193,189
	$ 1,999,492	**$ 1,021,814**

As at December 31, 2020, included in accounts payable and accrued liabilities was $858 (2019 – $30,194) of payments owed to key management personnel.

21. INCOME TAX

The reconciliation of the combined Canadian federal and provisional statutory income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

	Year Ended December 31,	
	2020	**2019**
Loss before income taxes	**$ 23,563,577**	**$ (16,962,291)**
Statutory tax rate	26.5%	26.5%
Statutory income tax recovery	6,244,348	(4,495,007)
Non-deductible expenses and recoveries	(6,116,075)	224,787
Temporary differences	(804,635)	2,572,819
Change in unrecognized deferred tax assets	676,362	1,697,401
Income tax recovery	**$ —**	**$ —**

As at December 31, 2020, the Company has non-capital loss carry forwards of approximately $37,590,000 (2019 - $45,105,000). The non-capital loss carry forwards expire at various dates from 2031 to 2039.

22. COMMITMENTS

At December 31, 2020, the Company's future minimum lease payments under non-cancellable operating leases aggregate to $0.15 million and are payable as follows:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease liability	$ 127,970	$ 21,328	$ —

(expressed in Canadian dollars)

23. ALLOWANCE FOR LOSS ON LOAN

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 favor 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.

		As at December 31, 2019
Principal advanced	$	6,250,000
Interest earned		297,486
Allowance for loan to Wayland Group		(6,547,486)
Balance as at December 31, 2019 and 2020	**$**	**—**

24. ALLOWANCE ON SALES TAX RECEIVABLE

At December 31, 2020, the Company recorded an allowance of $158,915 (2019 - $202,802) for sales tax receivable.

25. SUBSEQUENT EVENT

Proposed transaction

On January 28, 2021, the Company announced that it had entered into a binding share purchase agreement with Greenland Resources Inc. (the "Seller") on January 27, 2021 to acquire 100% of the outstanding shares of the Seller's wholly-owned subsidiary, Copenhagen Minerals Inc. ("Copenhagen"), which owns a 100% interest in a mineral exploration license known as the Storø Gold Project, located in Greenland (the "Proposed Acquisition"). Consideration for the Proposed Acquisition is expected to be satisfied through the payment of C$250,000 cash and the issuance to the Seller of 37,600,000 common shares of the Company at a deemed issue price of $0.24 per share (the "Consideration Shares"), subject to all necessary regulatory and securityholder approvals. It is expected that Copenhagen shareholders will hold 43.6% of the shares of the Company following closing of the Proposed Acquisition, with shareholders of the Company holding the remaining 56.4%. Completion of the Proposed Acquisition is subject to customary conditions, including receipt of applicable securityholder approvals by the Company and Seller and all necessary regulatory approvals, including the approval of the Canadian Securities Exchange (the "CSE"). Closing of the Proposed Acquisition is expected to occur following satisfaction or waiver of all closing conditions, including receipt of applicable shareholder approval and approval of the CSE, which is expected during Q2 2021.