

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("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 and nine months ended September 30, 2020.

This document should be read in conjunction with the information contained in the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2020 (the "Q3 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, November 6, 2020, being the date the Company's board of directors (the "Board") approved this MD&A and the Q3 2020 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 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 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 nine months ended September 30, 2020, was \$2,523,531 (December 31, 2019 – \$4,465,986). Interest expense incurred for the nine months ended September 30, 2020 was \$1,380,000 (December 31, 2019 – \$2,760,000). Interest paid for the nine months ended September 30, 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:

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- 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 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.

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.

On June 30, 2020, the 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. 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 at any time, upon giving debenture holders 10 days' advance written notice. The Conversion was effective on June 30, 2020, the maturity date of the debentures. No fractional Common Shares were issued and any fractions of a Common Share were rounded down to the nearest whole number of Common Shares.

During the nine months ended September 30, 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.

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").

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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.

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.

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.

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 \$1,294,734 (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 further 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 issued 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.

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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 operated 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 was 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 granted second-lien security over the assets to be purchased by Cryptologic, which was 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 expired 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 was to become due and payable at the end of the term, provided, for clarity, that if the acquisition closed prior to such time, the Bridge Loan would constitute an additional assumed liability by the Company. Interest on the Bridge Loan was charged at a rate of 13% per annum. However, if Wayland entered 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 increased 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 provided for additional loan tranches up to an overall aggregate cap of \$25,000,000. The Amended Bridge Loan also provided 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 extended 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* ("CCAA"). The initial order provided 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 amount of the loan.

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

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

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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. Thirty days after closing of the transaction, the Company settled \$221,916 in working capital adjustment to Hive for net cash proceeds of \$1,734,315.

Crypto 205 shut down and staff terminations

On August 7, 2020, the Company announced that, in order to conserve its cash while it considers acquisition opportunities or other strategic transactions, 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, including Chief Executive Officer, John Kennedy FitzGerald, Chief Financial Officer, Joshua Lebovic and Chief Operating Officer, Paul Leggett, effective July 31, 2020.

Mr. Fitzgerald and Mr. Lebovic will provide ongoing services to the Company, as Chief Executive Officer and Chief Financial Officer respectively, pursuant to part-time consulting arrangements.

SUBSEQUENT EVENTS

Stock Option Grant

On October 21, 2020, the Company announced that its Board of Directors had approved the grant of stock options for a total of 4,600,000 common shares of the Company to officers and directors of the Company. Each of these stock options has an exercise price of CDN \$0.27 and will expire on October 20, 2025. These stock options will also vest over a period of 12 months following the grant date and are governed by the terms and conditions of the Company's stock option plan.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three and nine months ended September 30, 2020 and 2019, and the year ended December 31, 2019, is set forth below.

	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,
	2020	2019	2020	2019	2019
Net income (loss) and comprehensive income (loss) from continuing operations	\$ 1,896,912	\$ (2,658,717)	\$ (4,077,844)	\$ (7,244,131)	\$ (16,962,291)
Net income (loss) and comprehensive income (loss)	(1,087,124)	2,141,330	(4,642,733)	1,867,898	(11,722,599)
Total assets	8,304,159	28,472,513	8,304,159	28,472,513	15,581,954
Total liabilities	263,621	38,541,134	263,621	38,541,134	38,847,679
Basic and diluted net income (loss) and comprehensive income (loss) per common share from continuing operations	\$ 0.04	\$ (0.21)	\$ (0.16)	\$ (0.57)	\$ (1.33)
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ 0.00	\$ 0.17	\$ (0.21)	\$ 0.15	\$ (0.92)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended September 30, 2020 and 2019

	Three Months Ended September 30,			
	2020	2019	Variance	% Change
General and administrative	1,414,415	664,488	749,927	112.9%
Acquisition related costs	—	241,704	(241,704)	(100.0%)
Interest expense	4,904	1,701,779	(1,696,875)	(99.7%)

General and administrative

General and administrative expenses increased from \$0.66 million for the three months ended September 30, 2019 to \$1.41 million for the three months ended September 30, 2020, an increase of 112.9%. The increase as compared to the prior year period was primarily the result of severance payments made to certain officers and employees of the Company.

Acquisition related costs

Acquisition related costs decreased from \$0.24 million for the three months ended September 30, 2019 to \$nil for the three months ended September 30, 2020, a decrease of 100%. During the three months ended September 30, 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.

Interest expense

During the three months ended September 30, 2020, the Company incurred interest expense of \$0.05 million compared to interest expense of \$1.70 million for the prior year period, resulting in a variance of \$1.67 million and an decrease of 99.7%. During the three months ended September 30, 2020, interest expense relates to interest accretion corresponding to the Company's lease obligation liability. During the three months ended September 30, 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 corresponding to the Company's lease obligation liability.

Discontinued Operations

	Three Months Ended September 30,			
	2020	2019	Variance	% Change
Revenue	—	8,690,484	(8,690,484)	(100.0%)
Cost of revenue	155,820	4,882,067	(4,726,247)	(96.8%)
Fair value gain on re-measurement of digital assets	—	(300,586)	300,586	(100.0%)

Revenue

During the three months ended September 30, 2020, the Company earned \$nil million in revenue from the mining of Bitcoin and \$nil million from colocation hosting services as compared to \$8.69 million and \$nil in the prior year period, representing a decrease of 100%. The Crypto 205 facility was solely dedicated to providing colocation services during 2020 and was ultimately shut down during the period. The decrease in Bitcoins mined and mining revenue results from the sale of 9376-9974 Quebec Inc. to Hive during the second quarter of 2020.

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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 \$4.88 million to \$0.16 million, a decrease of 96.8%. The decrease in costs is related to the sale of 9376-9974 Quebec Inc. to Hive during the second quarter of 2020 as well as the shutdown of the Crypto 205 facility during the period. Further, in classifying the cryptocurrency mining assets as held for sale pursuant to management's decision to exit the cryptocurrency mining industry, the Company stopped recording depreciation expense for its assets.

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 loss on the sale of Bitcoin previously recorded at its mined value. During the three months ended September 30, 2020, the company did not mine or sell any Bitcoin, nor did it have any Bitcoin on hand. As at September 30, 2019, the price of Bitcoin was \$10,983 (US\$8,294) compared to the average price of Bitcoin for the period of \$13,706 (US\$10,381) which accounted for the loss.

Comparison of the Nine Months Ended September 30, 2020 and 2019

	Nine Months Ended September 30,			
	2020	2019	Variance	% Change
General and administrative	2,741,916	1,763,700	978,216	55.5%
Acquisition related costs	292,402	337,612	(45,210)	(13.4%)
Interest expense	3,921,769	5,025,223	(1,103,454)	(22.0%)

General and administrative

General and administrative expenses increased from \$1.76 million for the nine months ended September 30, 2019 to \$2.74 million for the nine months ended September 30, 2020, an increase of 55.5%. The increase as compared to the prior year period was primarily the result of (i) severance payments made to certain officers and employees of the Company, (ii) commission fees paid in connection with the disposal of marketable securities, and (iii) legal and professional fees related to the 2019 year-end audit previously not accrued for. The increase in costs were partially offset by a reduction in travel and entertainment costs as compared to the prior year period.

Acquisition related costs

Acquisition related costs decreased from \$0.34 million for the nine months ended September 30, 2019, to \$0.29 million for the nine months ended September 30, 2020, a decrease of 13.4%. During the nine months ended September 30, 2020, the Company incurred certain one-time costs for legal and professional fees directly related to acquisition activity in connection with the proposed Wayland transaction as well as the sale of 9376-9974 Quebec Inc. to Hive. During the nine months ended September 30, 2019, the Company incurred certain one-time costs directly related to acquisition related activity. These costs relate to certain legal and professional fees.

Interest expense

During the nine months ended September 30, 2020, the Company incurred interest expense of \$3.92 million compared to interest expense of \$5.03 million for the prior year period, resulting in a variance of \$1.10 million and a decrease of 22.0%. During the nine months ended September 30, 2020, 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 nine months ended September 30, 2019, interest expense corresponding to (i) interest expense on the Convertible Debentures, (ii) interest accretion on the fair value adjustment of Convertible Debentures, and (iii) interest accretion corresponding to the Company's lease obligation liability.

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Discontinued Operations

	Nine Months Ended September 30,			
	2020	2019	Variance	% Change
Revenue	4,819,676	23,554,470	(18,734,794)	(79.5%)
Cost of revenue	4,205,614	15,883,049	(11,677,435)	(73.5%)
Fair value gain on re-measurement of digital assets	79,916	156,068	(76,152)	(48.8%)

Revenue

During the nine months ended September 30, 2020, the Company earned \$3.10 million in revenue from the mining of Bitcoin and \$1.72 million from colocation hosting services as compared to \$23.25 million and \$0.31 million in the prior year period, representing a cumulative revenue decrease of 79.5%. The decrease in Bitcoins mined and overall revenue results from (i) the sale of 9376-9974 Quebec Inc. to Hive during the period, and (ii) increased network difficulty due to increased network hashrate and a corresponding decrease in coin production per miner.

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 \$15.88 million to \$4.21 million, a decrease of 73.5%. The decrease in costs is related to the sale of the sale of 9376-9974 Quebec Inc. to Hive during the period. Further, in classifying the cryptocurrency mining 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.

Fair value gain on re-measurement of digital assets

Fair value gain on re-measurement of digital assets represents the unrealized gain 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. During the nine months ended September 30, 2020, the company liquidated all Bitcoin on hand on a regular basis, minimizing the impact of fluctuations in the price of Bitcoin over a short period. As at September 30, 2019, the price of Bitcoin was \$10,983 (US\$8,294) compared to the average price of Bitcoin for the period of \$9,533 (US\$7,182).

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SUMMARY OF QUARTERLY RESULTS

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

	For the three months ended (unaudited)			
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
Net loss and comprehensive loss from continuing operations	(4,419,635)	(3,017,817)	(1,567,595)	(2,658,717)
Net income (loss) and comprehensive income (loss)	(18,924,184)	(3,124,357)	2,850,926	2,141,330
Total assets	17,973,697	23,425,111	24,686,641	28,472,513
Total liabilities	29,710,012	38,235,186	36,947,189	38,541,134
Basic and diluted loss and comprehensive loss per common share from continuing operations	\$ (0.84)\$	(0.24)\$	(0.12)\$	(0.21)
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (3.60)\$	(0.25)\$	0.22 \$	0.17

	For the three months ended (unaudited)			
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020
Net income (loss) and comprehensive income (loss) from continuing operations	(9,718,162)	(2,736,185)	(3,238,571)	1,896,912
Net loss and comprehensive loss	(13,590,497)	(2,190,854)	(1,364,755)	(1,087,124)
Total assets	15,581,954	15,194,752	10,837,605	8,304,159
Total liabilities	38,847,679	40,628,333	1,732,942	263,621
Basic and diluted income (loss) and comprehensive income (loss) per common share from continuing operations	\$ (0.73)\$	(0.22)\$	(0.25)\$	0.04
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.85)\$	(0.17)\$	(0.25)\$	0.00

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 may be reliant on external financing to take advantage of growth opportunities. At September 30, 2020, the Company had positive working capital of \$7,817,333 and has an accumulated deficit of \$122,193,314 since its inception. As a result, the working capital includes sufficient cash to fund its current operating and administrative costs.

Contractual obligations

The following is a summary of the Company’s contractual obligations at September 30, 2020:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations	127,970	127,970	—	—	—
Total	\$ 127,970	\$ 127,970	\$ —	\$ —	\$ —

¹Includes 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.

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The table below indicates the foreign currencies to which the Company has exposure at September 30, 2020, in Canadian dollar terms:

	USD	
Cash	\$	656

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	\$	66

Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The net asset value of the Company relates directly to the value of Bitcoin held by the Company, and fluctuations in the price of Bitcoin could materially and adversely affect an investment in the shares of the Company. The price of Bitcoin has a limited history. During such history, Bitcoin prices have been volatile and subject to influence by many factors including the levels of liquidity. If Bitcoin markets continue to experience significant price fluctuations, the Company may experience corresponding losses or gains. Several factors may affect the price of Bitcoin, including but not limited to, global Bitcoin supply and demand, and competition from other forms of digital currency or payment services.

At September 30, 2020, 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 \$nil.

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.

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.

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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 September 30, 2020, and 2019

The table below outlines a summary of cash inflows and outflows by activity for the three months ended September 30, 2020, and 2019.

	Three Months Ended September 30,	
	2020	2019
Net cash (used in) provided by operating activities	\$ (2,235,091)	\$ 3,238,410
Net cash used in financing activities	\$ (115,780)	\$ (550,895)
Net cash provided by (used in) investing activities	\$ 5,559,955	\$ (3,250,168)

Cash (used in) provided by Operating Activities

The Company's cash outflows from operating activities primarily relate to (i) severance paid to outgoing officers and employees, (ii) settlement of accrued legal and professional fees, (iii) operating loss from colocation services, and (iv) settlement of accrued operating costs incurred in the previous quarter.

The Company generated cash inflows from operating activities for the three months ended September 30, 2019. The Company's cash inflows from operating activities relate to the sale of Bitcoin in the period, partially offset by (i) cash outflows related to mining costs incurred in the period and (ii) uncollected sales tax receivable.

Cash used in Financing Activities

During the three months ended September 30, 2020, the Company's cash outflows from financing activities related to cash paid on the settlement of lease obligations. During the three months ended September 30, 2019, the Company's cash outflows from financing activities related to cash paid on the settlement of lease obligations.

Cash provided by (used in) Investing Activities

During the three months ended September 30, 2020, the Company's cash inflows from investing activities related to cash proceeds from the sale of Hive shares received in connection with the sale of 9376-9974 Quebec Inc. to Hive. During the three months ended September 30, 2019, the Company's cash outflows in investing activities related to the loan to the Wayland Group offset by the proceeds from the sale of certain cryptocurrency mining equipment.

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Comparison of the Nine Months Ended September 30, 2020, and 2019

The table below outlines a summary of cash inflows and outflows by activity for the nine months ended September 30, 2020, and 2019.

	Nine Months Ended September 30,	
	2020	2019
Net cash (used in) provided by operating activities	\$ (1,135,929)	\$ 8,929,615
Net cash used in financing activities	\$ (637,375)	\$ (2,981,167)
Net cash provided by (used in) investing activities	\$ 7,214,584	\$ (3,250,168)

Cash (used in) provided by Operating Activities

The Company's cash outflows from operating activities primarily relate to (i) severance paid to outgoing officers and employees, (ii) settlement of accrued legal and professional fees, and (iii) operating loss from mining and colocation services offset by the collections of sales tax receivable incurred and uncollected as of the year ended December 31, 2019.

The Company generated cash inflows from operating activities for the nine months ended September 30, 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.

Cash used in Financing Activities

During the nine months ended September 30, 2020, the Company's cash outflows from financing activities related to cash paid on the settlement of lease obligations. During the nine months ended September 30, 2019, the Company's cash outflows from financing activities related to interest paid on the convertible debenture and cash paid on the settlement of lease obligations.

Cash provided by (used in) Investing Activities

During the nine months ended September 30, 2020, the Company's cash inflows from investing activities primarily related to (i) cash proceeds received on the sale of 9376-9974 Quebec Inc. to Hive, and (ii) cash proceeds from the sale of Hive shares received in connection with the sale of 9376-9974 Quebec Inc. to Hive. During the nine months ended September 30, 2019, the Company's cash outflows in investing activities relates to the loan to the Wayland Group offset by the proceeds from the sale of certain cryptocurrency mining equipment.

SIGNIFICANT JUDGMENTS AND ESTIMATES

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

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

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Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through 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.

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 13 of the Q2 Financial Statements.

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.

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.

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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.

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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 nine months ended September 30, 2020 and 2019 included the following:

	2020	2019
Salaries, severance and director remuneration	\$ 1,284,061	\$ 623,700
Stock-based compensation expense - directors and officers	68,997	151,792
	<u>\$ 1,353,058</u>	<u>\$ 775,492</u>

As at September 30, 2020, included in accounts payable and accrued liabilities was \$nil (2019 – \$85,909) of payments owed to key management personnel.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2020, 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 November 13, 2020
Common shares	48,599,162
Stock options	4,816,667
Total Common Shares on a fully-diluted basis	<u>53,415,829</u>

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, 2019, 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.