

**Calyx Ventures Inc.**  
**(formerly Calyx Bio-Ventures Inc.)**

Consolidated Financial Statements

(EXPRESSED IN CANADIAN DOLLARS)

**December 31, 2018**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calyx Ventures Inc. (formerly Calyx Bio-Ventures Inc.)

### Opinion

We have audited the consolidated financial statements of Calyx Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in stockholders' equity (deficit) 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, 2018 and 2017, 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events and conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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. 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 J. Goertz.



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

June 3, 2019

**CALYX VENTURES INC (formerly CALYX BIO-VENTURES INC.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
As at

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 726	\$ 393,676
Receivables (Note 4)	26,948	63,791
Digital currencies (Note 5)	-	34,048
Prepaid expenses and deposits	13,768	50,931
	41,442	542,446
Assets held for sale (Note 12)	505,671	-
	547,113	542,446
<b>Non-current assets</b>		
Property and equipment (Note 6)	119,082	777,004
Intangible assets (Note 7)	-	913,733
<b>Total Assets</b>	<b>\$ 666,195</b>	<b>\$ 2,333,183</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and other liabilities (Note 14)	\$ 209,264	\$ 553,278
Subscription received (Note 11)	50,000	-
Promissory note (Note 10)	-	52,000
Liabilities associated with assets held for sale (Note 12)	542,124	-
	801,388	605,278
<b>Non-current liabilities</b>		
Unearned revenue	-	5,500
	-	5,500
<b>Total Liabilities</b>	<b>801,388</b>	<b>610,778</b>
<b>Shareholders' Equity (Deficit)</b>		
Capital stock (Note 11)	10,503,058	9,847,086
Subscription received (Note 11)	-	28,750
Contributed Surplus (Note 11)	2,870,591	2,763,656
Deficit	(13,508,842)	(11,017,087)
	(135,193)	1,622,405
<b>Total Liabilities and Shareholders' Equity (Deficit)</b>	<b>\$ 666,195</b>	<b>\$ 2,233,183</b>

Commitments (Note 18)

Approved and authorized for issue by the Board of Directors:

<u>“Roger Forde”</u> Roger Forde	Director	<u>“Gavin McMillan”</u> Gavin McMillan	Director
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The accompanying notes are an integral part of these consolidated financial statements.

**CALYX VENTURES INC. (formerly CALYX BIO-VENTURES INC.)**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	Year ended December 31, 2018		Year ended December 31, 2017	
<b>REVENUE</b>	\$	2,400	\$	93,050
<b>COST OF SALES</b>		-		39,000
<b>GROSS PROFIT</b>		2,400		54,050
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Depreciation (Note 6)		32,481		6,642
Depreciation of intangible assets (Note 7)		30,000		126,806
Development expenses		95,921		130,743
Investor relations		16,201		15,635
Office and administrative		187,525		87,564
Personnel costs (Note 14)		179,117		309,172
Professional and regulatory		187,565		93,686
Share-based payments (Note 11)		69,592		344,169
		(798,402)		(1,114,417)
<b>OTHER INCOME (EXPENSES)</b>				
Accretion (Note 10)		-		(8,698)
Foreign exchange gain		230		319
Impairment of intangible assets (Note 7)		(883,733)		-
Other income		-		8,148
Net loss from continuing operations		(1,679,505)		(1,060,598)
Net loss from discontinued operations (Note 12)		(812,250)		(391,730)
<b>Net loss and comprehensive loss</b>	\$	(2,491,755)	\$	(1,452,328)
Basic and diluted loss per common share – continuing operations		(0.02)		(0.02)
Basic and diluted loss per common share – discontinued operations		(0.01)		-
<b>Basic and diluted loss per common share</b>	\$	(0.03)	\$	(0.02)
<b>Weighted average number of common shares outstanding</b>		90,225,657		63,294,549

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

**CALYX VENTURES INC. (formerly CALYX BIO-VENTURES INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year from continuing operations	\$ (1,679,505)	\$ (1,060,598)
Items not affecting cash:		
Accretion	-	8,698
Depreciation	32,481	6,642
Depreciation of intangible assets	30,000	126,806
Share-based payments	69,592	344,169
Impairment of intangible assets	883,733	-
Changes in working capital items relating to operations:		
Receivables	(13,366)	(44,405)
Prepaid expenses and deposits	37,163	(3,285)
Accounts payable and other liabilities	(41,546)	159,810
Unearned revenue	(5,500)	-
Net cash flows used in operating activities – continuing operations	(686,948)	(462,163)
Net cash flows provided by (used in) operating activities – discontinued operations	93,419	(401,574)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(126,985)	(2,843)
Net cash flows used in investing activities – continuing operations	(126,985)	(2,843)
Net cash flows used in investing activities – discontinued operations	(335,000)	(443,725)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of shares, net of share issuance costs	664,564	1,629,393
Subscription received	50,000	28,750
Repayment of promissory note	(52,000)	(98,000)
Net cash flows provided from financing activities	662,564	1,515,324
<b>Change in cash</b>	(392,950)	205,019
<b>Cash, beginning</b>	393,676	188,657
<b>Cash, end</b>	\$ 726	\$ 393,676

**Non-cash investing and financing activities**

Shares issued for acquisition of intangible assets	\$ -	\$ 431,300
Equipment in accounts payable	\$ -	\$ 335,000

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

**CALYX VENTURES INC. (formerly CALYX BIO-VENTURES INC.)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
(Expressed in Canadian Dollars)

	<b>Capital Stock</b>						<b>Total</b>
	<b>Number</b>	<b>Amount</b>	<b>Subscriptions Received</b>	<b>Contributed Surplus</b>	<b>Deficit</b>		
<b>Balance as at December 31, 2016</b>	<b>61,384,529</b>	<b>\$ 7,680,624</b>	<b>\$ -</b>	<b>\$ 2,570,076</b>	<b>\$ (9,564,759)</b>	<b>\$</b>	<b>685,941</b>
Subscriptions received	4,540,000	-	28,750	-	-		28,750
Shares issued for intangible assets	14,857,143	431,300	-	-	-		431,300
Private placement	1,250,000	1,040,000	-	-	-		1,040,000
Share options exercised	-	287,839	-	(150,589)	-		137,250
Share-based payments	3,014,286	-	-	344,169	-		344,169
Warrants exercised	-	452,143	-	-	-		452,143
Share issue costs	-	(44,820)	-	-	-		(44,820)
Loss for the year	-	-	-	-	(1,452,328)		(1,452,328)
<b>Balance as at December 31, 2017</b>	<b>85,045,958</b>	<b>9,847,086</b>	<b>28,750</b>	<b>2,763,656</b>	<b>(11,017,087)</b>		<b>1,622,405</b>
Subscriptions received (Note 11)	9,285,700	557,143	-	92,857	-		650,000
Share issue costs (Note 11)	-	(8,435)	-	-	-		(8,435)
Options exercised (Note 11)	450,000	107,264	(28,750)	(55,514)	-		23,000
Share-based payments (Note 11)	-	-	-	69,592	-		69,592
Loss for the year	-	-	-	-	(2,491,755)		(2,491,755)
<b>Balance as at December 31, 2018</b>	<b>94,781,658</b>	<b>\$ 10,503,058</b>	<b>\$ -</b>	<b>\$ 2,870,591</b>	<b>\$ (13,508,842)</b>	<b>\$</b>	<b>(135,193)</b>

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

## **1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN**

Calyx Ventures Inc. (formerly Calyx Bio-Ventures Inc.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on June 10, 2008. The registered address of the Company is located at 2200 – 885 West Georgia Street, Vancouver, BC, V6C 3E8. The Company’s head office is located at 1590 – 1111 West Georgia Street, Vancouver, BC, V6E 4M3. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “CYX.V”.

On February 4, 2018, the Company changes its name to Calyx Ventures Inc.

The Company has been engaged in the business of selling hash-power to a cryptocurrency hash power broker and is in the development of custom software for enterprises and start-up companies. During the month of December 2018, the Company began to cease all activities pertaining to provision of hash rate (Note 12).

### **Going concern**

These consolidated financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue and has an accumulated deficit of \$13,508,842. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. The Company’s financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company’s requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary if the Company were not to continue as a going concern.

## **2. BASIS OF PRESENTATION**

### **Statement of Compliance**

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 31, 2019.

### **Basis of preparation and consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Cannigistics Agri-Solutions Corp., LEAFHub Technology Inc., and Canada Blockchain Hosting Corp. All intercompany balances and transactions have been eliminated upon consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

## **2. BASIS OF PRESENTATION (continued)**

### **Critical accounting judgments and estimates**

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future.

Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

### **Intangible assets**

The Company's intangible assets relate to acquired technology. The Company reviews the carrying value of amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In assessing the recoverability of these intangible assets, the Company must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or related assumptions change in the future, the Company may be required to record impairment charges for these assets.

### **Business combinations**

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - Business Combinations. The Company determined that Canada Blockchain Hosting Corp. (Note 8) did not meet the criteria for a business based on the indicators outlined by IFRS 3. As such, the Company determined that the acquisition of Canada Blockchain Hosting Corp. was not a business combination and accordingly it was accounted for as an asset acquisition.

### **Impairment of assets**

#### *Impairment of equipment*

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs of disposal and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of loss and comprehensive loss.

#### *Impairment of intangible assets*

The carrying value of intangible assets is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred. The Company's impairment tests for intangible assets is based on the comparison of the carrying amount of the CGU and the recoverable amount, which is the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost of disposal. The determination of the company's CGUs are based on management's judgement.

## **2. BASIS OF PRESENTATION (continued)**

### **Critical accounting judgments and estimates (continued)**

#### **Digital currency valuation**

Digital currencies consist of cryptocurrency denominated assets (Note 5) and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate based on the hourly volume weighted average from [www.cryptocompare.com](http://www.cryptocompare.com). The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Foreign currency translation**

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Transactions in foreign currencies are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using exchange rates in effect at the reporting date. Non-monetary assets and liabilities are translated using historical exchange rates. Revenue and expense items are translated at the average exchange rate during the year. Exchange gains and losses are recognized in profit or loss.

### **Property and equipment**

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets and are recognized in the consolidated statement of loss and comprehensive loss.

Depreciation is calculated using the declining balance method over the estimated useful lives of the assets as follow:

Computer equipment	20%-55%
Leasehold improvements	30%

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **Impairment of long-lived assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Digital currencies**

Digital currencies consist of cryptocurrency denominated assets (Note 5) and are included in current assets. Digital currencies are carried at their fair value and adjusted at each reporting date for revaluation gains and losses through the statement of profit and loss as well as when digital currencies are exchanged or sold for traditional (fiat) currencies, such as the US dollar.

#### **Revenue recognition**

The Company recognizes revenue from the sale of hash rate. As consideration for these services, the Company receives digital currency from the broker it sells power to. Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the hourly volume weighted average from [www.cryptocompare.com](http://www.cryptocompare.com). The coins are recorded on the statements of financial position, as digital currencies, at their fair value and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss. The Company records the revaluation gains and losses in the consolidated statement of loss and comprehensive loss.

The Company also recognizes revenue from monthly hosting services as the services are provided over a period as set out in the executed services agreements, when the fee is fixed or determinable, and collectability is probable.

#### **Loss per common share**

Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year excluding contingently issuable shares, if any. Since the Company's stock options are anti-dilutive, diluted loss per common share is equivalent to basic loss per common share.

#### **Intangible assets**

Intangible assets with finite lives consist of acquired technologies and software. Intangible assets with finite lives are depreciated on a straight-line basis over their estimated useful lives of three years and are measured at cost less accumulated depreciation and accumulated impairment losses.

#### **Financial instruments**

##### *Recognition, classification and measurement*

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its receivables, accounts payable and other liabilities and promissory notes, as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The Company has classified its cash as financial assets measured at fair value through profit and loss.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial instruments (continued)**

##### *Impairment of financial assets*

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

#### **Share-based payments**

The Company records all share-based payments awards to the Company's officers, directors and employees at fair value of the awards at the date they are granted. The Company records all share-based payments awards to the Company's non-employees at fair value of the awards at measurement date. Graded vesting awards are accounted for as though each installment is a separate award. The fair value of stock options is determined using the Black-Scholes option pricing model. The estimate of fair value requires the determination of the most appropriate inputs to the model including the expected life of the award and volatility and making assumptions about them. The fair value of stock options that vest in the year is recorded as an expense.

#### **Fair value of warrants**

Warrants issued in unit private placements are valued using the residual method. Warrants issued as compensation from financings are valued using the Black-Scholes Option Pricing model. When warrants are issued, the fair value is recorded in contributed surplus, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from contributed surplus and recorded as share capital.

#### **Income taxes**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in associates, where deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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.

#### **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized includes cost of materials, direct labor, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalized development expenditures will be amortized over its useful life once the product is available for use.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Business combinations**

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired.

Business combinations are accounting for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company.

Acquisition costs in connection with a business combination are expensed as incurred. Those costs include finder's fees, professional fees, consulting fees and general administrative costs.

#### **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 remeasured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. The Company presents assets held for sale separately from the Company's other assets and separately from liabilities directly associated with the assets held for sale.

#### **New accounting standards effective January 1, 2018**

##### **IFRS 15 Revenue from Contracts with Customers**

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2017.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The five step model to be applied to all contracts with customers under IFRS 15 is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The recognition and measurement of the provision of services in all contracts under IFRS 15 was consistent with the previous revenue recognition practice and therefore there were not any transitional adjustment upon adoption of this standard.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New standard adopted in the year IFRS 9 Financial Instruments**

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements and did not result in a transitional adjustment.

The adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended accounting standards not yet effective for the year ended December 31, 2018**

**Leases**

In January 2016, the IASB published a new accounting standard, IFRS 16 – Leases ("IFRS 16") which supersedes IAS 17 – Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, has also been applied. The Company plans to adopt this standard on January 1, 2019 and is currently evaluating its impact on the financial statements.

**4. RECEIVABLES**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Trade receivables	\$ -	\$ 10,364
GST receivable	25,784	53,427
Due from related parties (Note 14)	1,164	-
	<b>\$ 26,948</b>	<b>\$ 63,791</b>

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**5. DIGITAL CURRENCIES**

Digital currencies are recorded at their fair value on the date they are received as revenues and are revalued to their current market value at each reporting date. Fair value is determined by taking the hourly volume weighted average price (per the Central European Time zone) from www.cryptocompare.com.

	Units		\$		
	Bitcoin	Ethereum	Bitcoin	Ethereum	Total
<b>Balance December 31, 2016</b>	-	-	\$ -	\$ -	-
Mined additions	0.69	25.82	12,514	22,811	35,325
Gains (losses) in FVTPL	-	-	822	(2,099)	(1,277)
<b>Balance December 31, 2017</b>	0.69	25.82	\$ 13,336	\$ 20,712	\$ 34,048
Mined additions	33.21	-	331,650	-	331,650
Coins sold	(12.88)	(25.00)	(122,935)	(7,880)	(130,815)
Coins transferred for the settlement of accounts payable	(16.13)	-	(154,612)	-	(154,612)
Gains (losses) in FVTPL	-	-	(42,730)	(12,720)	(55,450)
Reclassified to assets held for sale	(4.88)	(0.82)	(24,709)	(112)	(24,821)
<b>Balance December 31, 2018</b>	-	-	\$ -	\$ -	-

During the year ended December 31, 2017, the Company entered into an agreement for services whereby the Company engaged a third party vendor to manage the Company's GPU mining rigs for provision of hash rate to a cryptocurrency hash power broker ("Services Agreement"). Under the terms of the Services Agreement, services would be provided for a term of 36 months for minimum payments of \$18,198 per month.

During the year ended December 31, 2018, the Company became delinquent in settling obligations related to the Service Agreement. As a result, the Company's miners were redirected to wallets controlled by the vendor for settlement of the outstanding accounts payable balance. As at December 31, 2018, there was \$168,290 included in accounts payable and accrued liabilities related to the Services Agreement. Subsequent to year-end, \$25,953 in bitcoin from the redirected miners was applied against the Company's outstanding balance (Note 19).

**6. PROPERTY AND EQUIPMENT**

	Computer Equipment	Leasehold improvements	Total
<b>Balance December 31, 2016</b>	\$ 12,436	\$ -	\$ 12,436
Additions	781,568	-	781,568
Depreciation	(17,000)	-	(17,000)
<b>Balance December 31, 2017</b>	777,004	-	777,004
Additions	3,318	123,666	126,984
Depreciation – continuing operations	(6,553)	(25,928)	(32,481)
Depreciation – discontinued operations (Note 12)	(226,250)	-	(226,250)
Impairment of equipment	(45,325)	-	(45,325)
Reclass to assets held for sale (Note 12)	(480,850)	-	(480,850)
<b>Balance December 31, 2018</b>	\$ 21,344	\$ 97,738	\$ 119,082

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**7. INTANGIBLE ASSETS**

As of December 31, 2018, the Company's intangible assets consist entirely of software. The Company's intangible assets are as follows:

		<b>Software</b>
<b>Balance December 31, 2016</b>	\$	609,239
Addition		431,300
Depreciation		(126,806)
<b>Balance December 31, 2017</b>		913,733
Depreciation		(30,000)
Impairment		(883,733)
<b>Balance December 31, 2018</b>	\$	-

On May 2, 2017, the Company issued 4,540,000 common shares valued at \$0.095 per share for a total of \$431,300 to complete the acquisition of the remaining rights to the software that was related and complimentary to the software it had previously acquired.

During the year ended December 31, 2018, the Company redirected resources to new software development and has put development of its existing acquired software on hold. Given the Company does not currently have plans for the software and the future cash flows the software are unknown, the Company has impaired the software in full as at December 31, 2018, resulting in an impairment expense of \$883,733.

**8. ACQUISITION OF CANADA BLOCKCHAIN HOSTING CORP.**

On November 16, 2017, the Company acquired 100% of the outstanding common and preferred shares (the "Transaction") of Canada Blockchain Hosting Corp. ("CBH"), for \$400,000. CBH held certain equipment and software.

The transaction was accounted for as an asset acquisition. Because the future economic benefit of the assets was uncertain, the value of the computer equipment and software acquired in the transaction was expensed and included in discontinued operations.

**9. PROVISION**

On December 31, 2018, the Company ceased all activities related to the provision of hash rate (Note 12) and the assets related to these activities were reclassified as assets held for sale. The costs associated with the remaining term of the Services Agreement (Note 5) exceeded the economic benefits that are expected to be received representing an onerous contract. As at December 31, 2018, the Company recorded the present value of the remaining payments of \$363,513 as a provision which has been included in liabilities on assets held for sale (Note 12).

Subsequent to year-end, the Company agreed to issue 1,000,000 common shares of the Company and to transfer all equipment to the vendor in exchange for the early termination of the Service Agreement (Note 19).

Liabilities related to settlement		
Accounts payable	\$	142,337
Provision		363,513
<b>Total liabilities related to settlement</b>	\$	505,850
Common shares issued	\$	25,000
Equipment		480,850
<b>Settlement compensation</b>	\$	505,850

Per the settlement agreement, the Company will issue \$50,000 in common shares of the Company at \$0.05 per share representing 1,000,000 common shares. The shares were fair valued at \$0.025 per share for total compensation of \$25,000.

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## 10. PROMISSORY NOTE

A continuity of the Company's promissory note is as follows:

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<b>Balance, December 31, 2016</b>	<b>\$</b>	<b>141,302</b>
Accretion expense		8,698
Repayment		(98,000)
<b>Balance, December 31, 2017</b>		<b>52,000</b>
Repayment		(52,000)
<b>Balance, December 31, 2018</b>	<b>\$</b>	<b>-</b>

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The note was non-interest bearing, unsecured and was due on November 10, 2017.

During the year ended December 31, 2018, the Company repaid the remaining balance of the promissory note in full.

## 11. SHARE CAPITAL

### Capital Stock

#### Authorized:

Common shares: unlimited number, without par value;

Preferred shares: unlimited number, issuable in series.

#### Issued and outstanding shares:

During the year ended December 31, 2018, the Company:

Completed a non-brokered private placement and issued 9,285,700 Units at \$0.07 per Unit for proceeds of \$650,000. Each Unit consists of one common share of the Company, and half of one warrant. Each warrant is exercisable into one common share of the Company at \$0.15 for a period of twelve months. A fair value of \$92,857 was attributed to the warrants issued using the residual method. In connection with the private placement, the Company incurred share issue costs of \$8,435.

Issued 450,000 common shares at \$0.115 per share on the exercise of options for total consideration of \$51,750, of which \$28,750 was reclassified from subscription receivable. These options had an initial fair value of \$55,514.

During the year ended December 31, 2017, the Company:

Issued 4,540,000 common shares valued at \$0.095 per share to complete the acquisition of the rights to its software platform (Note 7).

Completed a non-brokered private placement and issued 14,857,143 Units at \$0.07 per Unit for gross proceeds of \$1,040,000. Each Unit consists one common share of the Company, and one-half-of-one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one common share of the Company at a price of \$0.15 per share for a period of twenty-four months.

Issued 150,000 common shares from the exercise of options for gross proceeds of \$132,250. These options had an initial fair value of \$141,869.

Issued 3,014,286 common shares at \$0.15 from the exercise of warrants for gross proceeds of \$452,143.

#### Subscription received

On September 9, 2018, the Company received subscription funds of \$50,000 for a private placement. As at December 31, 2018, the private placement had not closed and the common shares have not been issued, therefore the amount was reclassified as a liability.

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**11. SHARE CAPITAL (continued)**

**Common share purchase warrants**

Common share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	2,857,929	\$ 0.15
Issued	7,428,571	0.15
Exercised	(3,014,286)	0.15
Balance, December 31, 2017	7,272,214	\$ 0.15
Issued	4,656,850	0.15
Expired	(543,643)	0.15
Balance, December 31, 2018	11,385,421	\$ 0.15

As at December 31, 2018, the outstanding share purchase warrants were as follows:

Number of Warrants	Exercise Price	Expiry Date
6,728,571	\$ 0.15	November 10, 2019
4,656,850	\$ 0.15	June 28, 2019
11,385,421		

**Stock options**

The Company has a “rolling” stock option plan (the “Plan”) that allows the Company to issue a number of stock options of up to 10% of the Company’s issued and outstanding common shares at any given time. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or not more than 2% of the issued shares on a yearly basis if granted to any one consultant or to any one employee engaged in investor relations activities. The term, subject to a maximum of ten years, and vesting period of the options is determined by the Board of Directors. The exercise price of the options are required to have an exercise price no less than the Discounted Market Price (as such term is defined in the policies of the TSX-V or such other price as may be required by the TSX-V and there are no cash settlement alternatives for the option holders.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2016	2,600,000	\$ 0.115
Exercised	(1,250,000)	0.110
Granted	1,650,000	0.210
Balance, December 31, 2017	3,000,000	\$ 0.167
Exercised	(450,000)	0.115
Granted	2,500,000	0.100
Balance, December 31, 2018	5,050,000	\$ 0.139

In October 2018, the Company granted 2,500,000 incentive stock options to directors, officers and consultants of the Company. The options are exercisable at \$0.10 per share for a period of 12 months and vested on the date of their grant. The fair value of these options was \$69,592. The value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 143%, risk-free interest rate 2.29%, and an expected life of one year.

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**11. SHARE CAPITAL (continued)**

In November 2017, the Company granted 1,650,000 incentive stock options to directors, officers and consultants of the Company. The options are exercisable at \$0.21 per share for a period of 5 years and vested on the date of their grant. The fair value of these options was \$344,169. The value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility 171%, risk-free interest rate 0.86%, and an expected life of five years.

As at December 31, 2018, the following stock options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining Contractual Life in Years
October 9, 2019	\$ 0.100	2,500,000	0.77
October 24, 2021	\$ 0.115	900,000	2.82
November 19, 2022	\$ 0.210	1,650,000	3.89
	\$ 0.139	5,050,000	1.77

**12. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

On December 31, 2018, the Company ceased all activities pertaining to the provision of hash rate. The Company's subsidiary Canada Blockchain Holdings Corp. ("CBCH") maintains equipment related to the provision of hash rate and related activities.

In December of 2018, management initiated a plan to dispose of the related assets. As a result of this decision, CBCH's results for the year ended December 31, 2018 have been classified as loss from discontinued operations in the consolidated statement of loss and comprehensive loss. The assets and liabilities have been classified as assets held for sale and liabilities of assets held for sale, respectively, in the consolidated statement of financial position as of December 31, 2018. In accordance with IFRS, management has estimated the fair value less costs to sell. During the month of December, management actively searched for a buyer to purchase the net assets of CBCH. As at December 31, 2018, this resulted in an impairment on the equipment held for sale of \$45,325.

Assets and liabilities related to the Company's operations pertaining to the provision of hash rate have been reclassified as assets held for sale and liabilities associated with assets held for sale:

For the year ended December 31,	2018
Investment in cryptocurrency	\$ 24,821
Equipment	480,850
Accounts payable	(178,611)
Provision	(363,513)
Net assets held for sale	\$ (36,453)

Subsequent to year-end, the Company's equipment was transferred in a settlement agreement and the remaining cryptocurrency was applied against an outstanding accounts payable balance (Note 19).

To conform with current period classification of the discontinued operations, prior year results of CBCH have been reclassified to discontinued operations.

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**12. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)**

Results of discontinued operations are as follows:

For the year ended December 31,	2018	2017
Revenue	\$ 331,650	\$ 35,325
Cost of sales	(690,323)	(13,845)
Depreciation	(226,250)	(10,358)
Development expenses	-	(400,000)
Impairment of equipment	(45,325)	-
Impairment of sales tax paid by CBCH	(50,209)	-
Office and administration	(77,843)	-
Professional and regulatory	1,500	(1,500)
Revaluation of cryptocurrency	(55,450)	(1,352)
Loss from discontinued operations	\$ (812,250)	\$ (391,730)

**13. FINANCIAL INSTRUMENTS**

**Management of Financial Risk**

The Company, through its financial assets and liabilities, is exposed to various risks. The following is an analysis of risks as at December 31, 2018:

*Financial Risk Management*

The Board of Directors is responsible for the establishment and oversight of the Company's risk management framework.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash consists of operating funds with two commercial banks. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

During the year ended December 31, 2018, the Company's continuing operations did not have any major customers. For the year ended December 31, 2017, the Company had two significant customers which account for more than 10% of its revenue. These two customers account for 55% and 45% respectively.

*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 ensures that there is sufficient capital in order to meet short term business requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations caused in digital currency prices and exchange rates.

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**13. FINANCIAL INSTRUMENTS (continued)**

*Liquidity Risk (continued)*

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and 2017:

As at December 31, 2018	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 188,285	\$ -	\$ -	\$ -	\$ 188,285
Other liabilities	169,590	-	-	-	169,590
Subscriptions received	50,000	-	-	-	50,000
<b>Total liabilities</b>	<b>\$ 407,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 407,875</b>

  

As at December 31, 2017	On demand	Less than 1 year	1 -2 years	Later than 2 years	Total
Trade payables	\$ 511,216	\$ -	\$ -	\$ -	\$ 511,216
Other liabilities	42,062	-	-	-	42,062
Promissory note	52,000	-	-	-	52,000
<b>Total liabilities</b>	<b>\$ 605,278</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 605,278</b>

*Exchange Risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. During the year ended December 31, 2018, the Company did not have significant transactions or balances denominated in foreign currencies. Therefore, foreign exchange risk is minimal.

**14. RELATED PARTY TRANSACTIONS**

Key management personnel include directors and senior management members. The Company paid or accrued the following amounts to key management personnel or companies controlled by them:

	Year ended December 31, 2018	Year ended December 31, 2017
Bonus	\$ -	\$ 25,000
Management fees	159,000	132,000
Share based payments	52,890	302,451
	<b>\$ 211,890</b>	<b>\$ 459,541</b>

As at December 31, 2018, receivables includes \$1,164 owed from the CEO and a company controlled by the CEO (December 31, 2017: \$50,218 owed included in accounts payable and other liabilities). These balances bear no specific terms of interest or repayment.

As at December 31, 2018, accounts payable and other liabilities includes \$12,000 owed to a director of the Company (December 31, 2017: \$3,000). These balances bear no specific terms of interest or repayment.

During the year ended December 31, 2018, the Company reimbursed a company controlled by an officer \$54,000 (2017 – \$39,000) for cloud hosting costs incurred on behalf of the Company.

During the year ended December 31, 2017, the Company's subsidiary CBCH, purchased \$400,000 of computer equipment and software from a company controlled by the CEO. The consideration was recorded as an expense.

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**15. INCOME TAXES**

The reconciliation of the income tax provision at the statutory tax rate to the reported income tax provision is as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Net loss for the year before tax	\$ (2,481,825)	\$ (1,452,329)
Statutory tax rate	26%	26%
Expected income tax recovery	(645,000)	(377,000)
Non-deductible expenses and other permanent differences	21,000	89,000
Effect of change in tax rate	(44,000)	-
Adjustment to prior year provision	88,000	-
Increase in unrecognized tax assets	608,000	288,000
Income tax expense	\$ -	\$ -

The Company has the following deferred tax assets and liabilities:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<i>Deferred tax assets</i>		
Non-capital losses	\$ 1,596,000	\$ 1,093,000
Share issue costs	10,000	10,000
Property and equipment	104,000	8,000
Canadian eligible capital	23,000	14,000
Promissory note	-	-
Net deferred tax assets	1,733,000	1,125,000
Unrecognized deferred tax assets	(1,733,000)	(1,125,000)
	\$ -	\$ -

As at December 31, 2018, the Company has approximately \$5,912,000 of non-capital losses which can be carried forward to offset future taxable income as follows:

Year of expiry		
2028	\$	412,000
2029		319,000
2030		253,000
2031		49,000
2032		6,000
2033		1,139,000
2034		563,000
2035		202,000
2036		300,000
2037		621,000
2038		2,048,000
	\$	5,912,000

## 16. FAIR VALUE DISCLOSURE AND RISK MANAGEMENT

### Fair value hierarchy

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

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

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

The Company's cash is measured at fair value using level one inputs. Digital currencies are measured using level two fair values, determined by taking the rate from [www.cryptocompare.com](http://www.cryptocompare.com).

### Digital currencies

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

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Bitcoin and Ethereum. The table below shows the impact of the 25% variance in the price of each of these digital currencies on the Company's earnings before tax, based on their closing prices at December 31, 2018.

<b>Bitcoin</b>	\$	6,177
<b>Ethereum</b>		28
	\$	6,205

## 17. CAPITAL MANAGEMENT

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its strategic plan. The Company manages and performs regular review of financial information. The Company does not have any externally imposed capital requirement to which it is subject.

There was no change in the Company's approach to capital management during the year ended December 31, 2018.

## 18. COMMITMENTS

In April of 2018, the Company's subsidiary entered into an agreement to lease an office space. A security deposit of \$13,234 was paid and will be refunded at the end of the lease.

As at December 31, 2018, the total minimum lease payments under the Company's office lease are:

2019	\$	89,796
2020		89,796
2021		22,449
	\$	202,041

## **19. SUBSEQUENT EVENTS**

On January 2, 2019, \$25,953 in bitcoin was applied against the Company's outstanding balance related to the Services Agreement.

On April 8, 2019, a Notice of Civil Claim was filed against the Company. The claim asserts that the Company is in breach of its Services Agreement (Note 5) and the vendor is seeking payment of outstanding balances of \$142,337 and further damages due to breach of contract.

On April 21, 2019, the Company entered into a settlement agreement and the Civil Claim was formally discontinued. Under the terms of the settlement, the Company agreed to issue 1,000,000 in common shares of the Company at \$0.05 per share, and to dispose all equipment for provision of hash rate with a carrying value of \$480,850 to the vendor in exchange for the early termination of the Services Agreement. The termination agreement represents settlement of all obligations under the Services Agreement.