HIVE

HIVEBLOCKCHAIN.COM

TSX.V: HIVE

HIVE Blockchain Technologies Ltd.

Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2018 and 2017

(Expressed in US dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of HIVE Blockchain Technologies Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed interim consolidated financial statements.

HIVE Blockchain Technologies Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in US dollars unless otherwise indicated)
(Unaudited)

		June 30, 2018		March 31, 2018
Assets				
Current assets				
Cash	$	15,891,782	$	14,729,290
Amounts receivable and prepaids (Note 8)		2,022,198		25,601,843
Digital currencies (Note 9)		16,111,424		7,754,307
		34,025,404		48,085,440
Data centre equipment (Note 10)		74,402,323		57,086,779
Deposits (Note 11)		34,000,000		56,000,000
Land (Note 7)		15,412,793		-
Deferred acquisition costs (Note 7)		-		195,640
Total assets	$	157,840,520	$	161,367,859
Liabilities and equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 12)	$	979,489	$	10,034,134
Loans payable (Note 13)		2,723,631		-
		3,703,120		10,034,134
Deferred tax liability		220,000		227,000
Total liabilities		3,923,120		10,261,134
Equity				
Share capital (Note 15)		185,329,206		180,366,602
Reserves and accumulated other comprehensive income		5,013,092		4,442,582
Deficit		(36,424,898)		(33,702,459)
Total equity		153,917,400		151,106,725
Total liabilities and equity	$	157,840,520	$	161,367,859

Nature of operations and change of business (Note 1)
Subsequent events (Note 15, 23)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

(Expressed in US dollars unless otherwise indicated)

	Three months ended June 30, **2018**	2017 *Restated - Note 2*
Income from digital currency mining	**$ 10,660,664**	$ -
Cost of digital currency mining		
Operating and maintainance costs (Note 14)	**(4,219,483)**	-
Depreciation (Note 10)	**(4,684,456)**	-
	1,756,725	-
Revaluation of digital currencies	**(1,336,918)**	-
Gain on sale of digital currencies (Note 9)	**61,672**	-
Expenses		
General and administrative (Note 17)	**(1,539,540)**	(24,727)
Foreign exchange	**(1,477,583)**	-
Share-based compensation (Note 15)	**(98,001)**	-
	(3,115,124)	(24,727)
Finance expense (Note 13)	**(38,794)**	(3,876)
Net loss before tax	**(2,672,439)**	(28,603)
Tax expense	**(50,000)**	-
Net loss for the period	**$ (2,722,439)**	$ (28,603)
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Translation adjustment	**(138,001)**	-
	(138,001)	-
Net loss and comprehensive loss for the period	**$ (2,860,440)**	$ (28,603)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding		
Basic and diluted (Note 16)	**310,326,093**	47,419,955

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

(Expressed in US dollars unless otherwise indicated)

	Share capital		Share subscriptions received	Equity reserve	Cumulative translation adjustment	Deficit	Total equity (deficiency)
	Shares issued	Amount					
		$	$	$	$	$	$
At March 31, 2017 *restated* (Note 2)	65,924,847	6,360,537	11,935	39,883	216,002	(8,825,821)	(2,197,464)
Exercise of warrants	34,285,714	1,373,627	-	-	-	-	1,373,627
Share issuance costs	-	(8,930)	-	-	-	-	(8,930)
Settlement with shareholder (Note 12)	-	-	-	-	-	1,365,798	1,365,798
Repayment of share subscriptions	-	-	(11,935)	-	-	-	(11,935)
Net loss for the period	-	-	-	-	-	(28,603)	(28,603)
Translation adjustment	-	-	-	-	(57,964)	-	(57,964)
June 30, 2017 *restated* (Note 2)	100,210,561	7,725,234	-	39,883	158,038	(7,488,626)	434,529
At March 31, 2018	307,724,825	180,366,602	-	4,196,391	246,191	(33,702,459)	151,106,725
Share-based compensation	-	-	-	98,001	-	-	98,001
Exercise of warrants	166,666	47,996	-	(9,546)	-	-	38,450
Exercise of options	750,000	270,575	-	(94,985)	-	-	175,590
Norway acquisition (Note 7)	4,750,000	4,644,033	-	715,041	-	-	5,359,074
Net loss for the period	-	-	-	-	-	(2,722,439)	(2,722,439)
Translation adjustment	-	-	-	-	(138,001)	-	(138,001)
At June 30, 2018	**313,391,491**	**185,329,206**	-	**4,904,902**	**108,190**	**(36,424,898)**	**153,917,400**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

(Expressed in US dollars unless otherwise indicated)

	For the three months ended June 30, **2018**	2017 *Restated - Note 2*
Operating activities		
Net loss for the period:	**$ (2,722,439)**	$ (28,603)
Adjusted for:		
Depreciation	**4,684,456**	-
Tax expense	**50,000**	-
Share-based compensation	**98,001**	-
Accrued interest (Note 13)	**12,856**	-
Changes in non-cash working capital items:		
Amounts receivable and prepaids	**23,437,787**	(208)
Digital currencies	**(8,357,117)**	-
Accounts payable and accrued liabilities	**(8,926,278)**	(1,192,968)
Cash provided by (used in) operating activities	**8,277,266**	(1,221,779)
Investing activities		
Norway Acquisition (Note 7)	**(7,330,625)**	-
Cash acquired in Norway Acquisition (Note 7)	**25,193**	-
Exploration and evaluation asset expenditures	**-**	(8,924)
Cash used in investing activities	**(7,305,432)**	(8,924)
Financing activities		
Exercise of warrants and options	**214,040**	1,364,697
Issuance of loans payable	**-**	38,530
Repayment of loans payable	**-**	(120,187)
Repayment to related parties	**-**	(33,914)
Repayment of share subscriptions	**-**	(11,935)
Cash provided by financing activities	**214,040**	1,237,190
Effect of exchange rate changes on cash	**(23,382)**	(3,586)
Net increase in cash during the period	**1,162,492**	2,901
Cash, beginning of period	**14,729,290**	30,912
Cash, end of period	**$ 15,891,782**	$ 33,813
Supplemental cash flow information		
Warrant consideration issued for Norway Acquisition	**$ 715,041**	$ -
Share consideration issued for Norway Acquisition	**$ 4,644,033**	$ -

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Change in Business

HIVE Blockchain Technologies Ltd. was incorporated in the province of British Columbia on June 24, 1987. In September 2017, the Company completed a change of business transaction on the TSX Venture Exchange ("TSXV") and changed its name from Leeta Gold Corp. to HIVE Blockchain Technologies Ltd. The Company is listed on the TSX Venture Exchange under the symbol "HIVE". The Company's registered address is 25th floor, 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

In connection with the Company's change of business filed in September 2017 ("Change of Business"), the Company acquired digital currency mining data centre equipment in Iceland (the "Genesis Transaction") from Genesis Mining Ltd. ("Genesis") (Note 6). Following the initial acquisition, the Company acquired additional data centre equipment in Iceland and Sweden throughout fiscal 2018. Phases one and two of Sweden commenced operations on January 15, 2018 and March 31, 2018 respectively, while phase three commenced operations on April 30, 2018 (Note 10). The Company is in the business of providing infrastructure solutions, including the provision of computational capacity to distributed networks, in the blockchain industry. The Company's operations are focused on the mining and sale of digital currencies.

2. Basis of Presentation

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting of the International Financial Reporting Standards" ("IFRS") as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods of application as the Company's March 31, 2018 annual audited financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual statements.

The Company is in the business of the mining and sale of digital currencies, many aspects of which are not specifically addressed by current IFRS guidance. The Company is required to make judgements as to the application of IFRS and the selection of accounting policies. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of revenue as well as significant assumptions and judgements; however, if specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company's earnings and financial position as presented.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 27, 2018.

(b) Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, which are controlled by the Company. Control is achieved when the parent company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following: (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances, income and expenses are eliminated on consolidation.

As of June 30, 2018, the Company had five wholly owned subsidiaries, HIVE Blockchain Iceland ehf., HIVE Blockchain Switzerland AG , Boden Technologies AB, Liv Eiendom AS, and Kolos Norway AS.

2. Basis of Presentation (continued…)

(c) Presentation and functional currency

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

In September 2017, the Company completed its Change of Business and made a decision to change the Company's presentation currency from Canadian dollars to United States dollars so that investors can better understand the Company's financial results and financial position.

These unaudited condensed interim consolidated financial statements have been prepared in US dollars as if the US dollar had been the presentation currency since April 1, 2015 and all comparative prior-period financial statements have been restated to US dollars in accordance with IAS 21 "Effect of Changes in Foreign Exchange Rates". For the purposes of presentation of the comparative consolidated financial statements, all assets and liabilities have been converted to US dollars at the rate prevailing at the end of the reporting period. Equity transactions are converted at the date of the transaction or at the average exchange rate for the period depending on the nature of the underlying transaction. The functional currency for HIVE Blockchain Technologies Ltd. is the Canadian dollar, and is the US dollar for its wholly owned subsidiaries. The exchange rates used in converting Canadian dollars to US dollars was US$1 = C$ 1.2977 as at June 30, 2017 and an average of US$1= C$1.3449 for the three months ended June 30, 2017.

3. Significant Judgements

(a) Functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's digital currencies, production and operating costs, financing and related transactions. Specifically the Company considers the currencies in which digital currencies are most commonly denominated and the currencies in which expenses are settled, by each entity, as well as the currency in which each entity receives or raises financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

(b) Classification of digital currencies as current assets

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

3. Significant Judgements (continued…)

(c) Asset acquisition

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The Company completed the Genesis Transaction in September 2017 (Note 6) and concluded that the transactions did not qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were not acquired. Accordingly, the Genesis Transaction has been accounted for as an asset acquisition.

The Company completed the Norway Acquisition in May 2018 (Note 7) and concluded that the entities acquired did not qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were not acquired. Accordingly, the Norway Acquisition has been accounted for as an asset acquisition.

(d) Income from digital currency mining

The Company recognizes income from digital currency mining from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Income from digital currency mining 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. The coins are recorded on the statement 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 in accordance with the Company's treatment of its digital currencies as a traded commodity.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency mining for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations, including f completion being the addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

4. Significant Estimates

(a) Determination of asset and liability fair values and allocation of purchase consideration

Significant asset acquisitions require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about future events, including but not limited to availability of hardware and expertise, future production opportunities, future digital currency prices and future operating costs.

4. Significant Estimates (continued…)

(b) Carrying value of assets

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 to sell 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 profit and loss.

(c) Depreciation

Depreciation of data centre equipment is an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

(d) Deferred taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and interpretation of the treatment for tax purposes of digital currencies by taxation authorities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

(e) Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets (Note 9) 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. 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.

4. Significant Estimates (continued…)

(f) Share-based compensation

The Company utilizes the Black-Scholes Option Pricing Model ("Black-Scholes") to estimate the fair value of stock options granted to directors, officers, employees, consultants and charities. The use of Black-Scholes requires management to make various estimates and assumptions that impact the value assigned to the stock options including the forecast future volatility of the stock price, the risk-free interest rate, dividend yield and the expected life of the stock options. Any changes in these assumptions could have a material impact on the Share-based compensation calculation value, however the most significant estimate is the volatility. Expected future volatility can be difficult to estimate as the Company has a limited operating history and is in an emerging industry with no comparable publicly traded competitors at the time of grant. Due to the emerging nature of the industry, volatility estimates require significant estimates. The Company estimated volatility based on historic share prices of companies operating in emerging innovative industries. Historical volatility is not necessarily indicative of future volatility. Estimates for the expected life and ultimate number of equity instruments to be issued in the Norway Acquisition was determined based on the Company's assessment of comparable instruments in other entities and understanding of the Company's future objectives.

5. Changes in Accounting Policies

(a) New or amended standards effective April 1, 2018

The Company has adopted the following new or amended IFRS standard for the annual period beginning on April 1, 2018.

IFRS 15 – "Revenue from Contracts with Customers": This standard specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company determined that no contract exists with the digital currency network participant community as a whole in accordance with IFRS 15. This is because under such an implied contract, there are no enforceable rights and obligations which may be enforced against any individually identifiable parties. Therefore, the requirements of IFRS 15.9(b) are not met and the income from mining of digital currencies does not meet the definition of revenue. Newly minted digital currency however continues to represent an inflow to the Company due to the economic benefit in the form of an increase in assets therefore should be recognized as income from digital currency mining on completion of the transaction verification services. The adoption of IFRS 15 resulted in presentation changes which were applied retrospectively, specifically revenue is now referred to as income from digital currency mining. As a result of the adoption of IFRS 15 there was no impact on the Company's financial statements.

IFRS 9 Financial Instruments - IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The effective date of this standard was April 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, April 1, 2018. The 2018 comparatives were not restated.

(Expressed in US dollars unless otherwise indicated)

5. Changes in Accounting Policies (continued…)

(a) New or amended standards effective April 1, 2018 (continued…)

The new classification and measurement of the Company's financial assets and liabilities are as follows:

(i) Equity instruments at fair value through other comprehensive income ("FVOCI"): This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. Equity instruments in this category are subsequently measured at fair value with changes recognized in other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

(ii) Amortized cost: This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

(iii) Fair value through profit or loss: This category includes derivative instruments and quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss. The assessment of the Company's business models was made as of the date of initial application, April 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before April 1, 2018.

Financial asset/liability	**IAS 39**	**IFRS 9**
Cash	Fair value through profit or loss	Fair value through profit or loss
Amounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

(b) New or amended standards not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the period ended June 30, 2018 and accordingly, have not been applied in preparing these condensed interim consolidated financial statements:

IFRS 16, Leases - IFRS 16 was issued in January 2016 and requires lessees to recognize assets and liabilities for most leases. For lessors, there is little changed to the existing accounting in IAS 17 Leases. The new standards is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of assessing the impact of this standard on the Company’s financial statements.

6. Genesis Transaction

In September 2017, the Company completed its transaction with Genesis whereby the Company acquired digital currency mining equipment in Reykjanes, Iceland from Genesis, as well as entered into certain other agreements, collectively being the Genesis Transaction. The Genesis Transaction consisted of four agreements, with the Transaction Agreement encompassing the remaining three: the Investor Rights Agreement, the Master Data Centre Equipment Purchase Agreement and the Master Services Agreement, as well as supplementary purchase and service orders. In conjunction with the Genesis Transaction, the Company also completed a concurrent equity financing for gross proceeds of C$16,500,000 (Note 15).

The Transaction Agreement describes the general terms under which the Company acquired the computing equipment for the digital currency mining centre and arranged the ongoing maintenance and operation of the equipment as well as the future acquisition framework whereby Genesis would provide, on a best efforts basis, up to four additional data centre opportunities in Iceland or Sweden over a period of one year, at an additional cost to the Company. In consideration, the Company issued to Genesis 67,975,428 common shares, being 30% ownership of the Company, and paid $9,000,000 for data centre equipment.

Pursuant to the terms of the Investor Rights Agreement, Genesis is entitled to participate in future equity financings to allow Genesis to maintain its percentage ownership in the Company as well as certain other rights such as representation on the board of directors for a period of two years. During the year ended March 31, 2018, Genesis participated in each of the Company's three additional financings (Note 15) and accordingly, as of June 30, 2018, Genesis owns 24.70% of the Company on a non-diluted basis. Subsequent to the Genesis transaction, Genesis became a related party.

Pursuant to the terms of the Master Data Centre Equipment Purchase Agreement and supplemental purchase order, the Company acquired the computing equipment at a cost of $9,000,000. This agreement also governs the construction, delivery, installation, acceptance, warranty and other terms of the acquisition of computing equipment for current and future transactions.

Pursuant to the terms of the Master Services Agreement and supplemental service order for this initial acquisition, the Company will pay Genesis for the maintenance and operation of the data centre equipment at each location, for a monthly fee for a minimum term of one year. Each service order automatically renews and Genesis may only terminate the agreement by providing notice six months prior to the expiration of the most recently renewed term and a new sales order is done for each additional location. The monthly cost may be subject to adjustment where there is a change in the underlying costs.

During the year ended March 31, 2018, the Company entered into further acquisition agreements with Genesis in Iceland and Sweden and anticipates a continued relationship with Genesis as a significant shareholder of the Company.

The Genesis Transaction has been accounted for as one transaction and the fair value of the consideration has been allocated to its components on the date of acquisition. The 67,975,428 common shares issued as consideration were valued at C$0.30 ($0.24) per share, being the price of the concurrent equity financing for a total value of $16,340,247, along with cash consideration of $9,000,000. The Company also incurred cash transaction costs of $583,765 and issued 3,398,771 shares valued at $817,012, for total transaction costs of $1,400,777.

Management identified two components to the Genesis Transaction, the computing equipment and the formation of a strategic relationship with Genesis, and allocated the consideration between these two items. A value of $9,000,000 has been capitalized as computing equipment while the remaining incremental amount paid by the Company to Genesis for the strategic relationship was in recognition of the value expected to be derived by the Company as a result of Genesis' knowledge, expertise and market position in the business.

6. Genesis Transaction (continued…)

In examining the strategic relationship with Genesis, it was determined not to meet the definition of an asset for the following reasons:

i. Genesis' best efforts to identify future data centres cannot be separated and therefore does not meet the requirements for identifiability;
ii. There is significant uncertainty in the Company's ability to control the future economic benefit with respect to the future data centres due to the lack of definitions as to what constitutes identification of such assets as well as the size, scope and nature of additional data centres; and
iii. The terms of the Transaction Agreement do not provide the Company with the ability to acquire assets for a price other than fair value and do not prohibit Genesis from acquiring any such assets for itself or selling to others.

As a result of the above, and without being able to define the nature of the future economic benefits, management determined that the excess costs incurred over the fair value of the data centre equipment acquired, including the 67,975,428 common shares issued to Genesis, were unable to meet the definition of control over a future economic benefit. Accordingly, the excess consideration incurred of $17,741,024 has been expensed as consideration for a strategic relationship with Genesis in profit and loss.

In October 2017, the Company issued 2,000,000 options to individuals associated (as employees, consultants or otherwise) with Genesis. These options were granted under the Company's Stock Option Plan, carry an exercise price of $2.00, a ten year expiry and were immediately exercisable upon grant. The options were issued as compensation for contributions outside of any formal employment, consultant or service agreements. Neither these individuals nor Genesis have otherwise been compensated for such contributions, nor do either have any obligation for continuing services of this nature. As such, the Company has expensed the fair value of the options at grant date of $1,735,099.

7. Norway Acquisition

In May 2018, the Company completed the acquisition of two entities in Norway (the "Norway Acquisition"), Liv Eiendom AS ("Liv Eiendom") and Kolos Norway AS ("Kolos"). The primary asset of the acquisition was the property holding in Ballangen, Norway. The Norway Acquisition was accounted for as an acquisition of assets as the operations of Liv Eiendom and Kolos did not have sufficient processes to meet the definition of a business.

As consideration for the acquisition, the Company made cash payments of 55,576,560 Norwegian Kroner ("NOK") (US$6,902,498) to the former shareholders of Kolos, issued 4,750,000 common shares, issued 1,250,000 warrants exercisable at C$1.24 for a period of five years and incurred cash transaction costs of $428,127 related to the acquisition.

The share consideration is subject to certain hold periods whereby tranches of 575,000 shares will vest in each of seven and ten months after close of the transaction; the remaining 3,600,000 shares are fully vested on issuance. The share consideration was valued at $0.98 (C$1.25) per share, being the fair value at the time of issue.

The warrant consideration is subject to certain performance conditions whereby a total of 850,000 warrants are exercisable upon the Company's completion of certain milestones, being construction permitting and the commencement of revenue generating activities on the property. The holder of the warrants has no service commitment in relation to the completion of these milestones. The remaining 400,000 warrants have no vesting conditions. The 1,250,000 warrants had a fair value of $715,041 based on the following Black-Scholes assumptions: i) volatility of 94.26%; ii) expected life of 2.86 years; iii) dividend yield of 0.00% and; iv) interest rate of 2.30%.

(Expressed in US dollars unless otherwise indicated)

7. Norway Acquisition (continued…)

Assets and liabilities acquired in the Norway Acquisition were recorded at their fair value. Included in liabilities is loans payable of $2,751,081 consisting of principal of NOK 20,915,000 ($2,559,599) and accrued interest of NOK 1,235,764 ($191,482); the loans are due December 31, 2018 and bear interest at a rate of 6% per annum.

The holders of the loans payable have the right to convert their debt into equity of Kolos at a 30% discount if there is a financing of Kolos of a minimum NOK 200,000,000 on or before December 31, 2018. The Company intends to repay the loan in full prior to capitalizing Kolos and has allocated $nil value to any conversion option.

The fair value of the land acquired, being $15,412,793, was determined in reference to the excess of the purchase consideration over the fair value of the remaining assets and liabilities acquired. The land, located in Ballangen, Norway, is pledged as security to the above loan and is subject to a right of the Ballangen municipality to reclaim ownership in the event the property is not developed, among other conditions.

Consideration:		
4,750,000 common shares at a value of $0.98 (C$1.25) per share:	$	4,644,033
1,250,000 warrants exercisable at C1.24 for five years		715,041
Cash		6,902,498
Transaction costs		428,127
		12,689,699
Net assets of Norway Acquisition:		
Cash		25,193
Land		15,412,793
Other receivables		2,794
Loans payable		(2,751,081)
	$	**12,689,699**

8. Amounts Receivable and Prepaids

		June 30, 2018		March 31, 2018
Sales tax receivable	$	1,253,709	$	25,326,833
Prepaid expenses and other receivables		768,489		275,010
Total	**$**	**2,022,198**	$	25,601,843

(Expressed in US dollars unless otherwise indicated)

9. Digital Currencies

As at June 30, 2018, the Company's digital currencies consisted of the below digital currencies, with a fair value of $16,111,424. Digital currencies are recorded at their fair value on the date they are received as income from digital currency mining, 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.

The Company's holdings of digital currencies consist of the following:

		June 30, 2018		March 31, 2018
Ethereum	$	14,776,442	$	6,938,832
Ethereum Classic		1,294,308		777,564
Z-Cash		40,674		37,911
Total	**$**	**16,111,424**	$	7,754,307

The continuity of digital currencies was as follows:

		June 30, 2018		March 31, 2018
Opening balance	$	7,754,307	$	-
Digital currency mined		10,660,664		13,081,395
Digitial currency sold		(966,629)		(71,054)
Revaluation adjustment		(1,336,918)		(5,256,034)
Ending balance	**$**	**16,111,424**	$	7,754,307

During the period ended June 30, 2018 the Company sold digital currencies for proceeds totalling $1,028,301 (cost of $966,629) and recorded a gain on sale of $61,672.

10. Data Centre Equipment

Cost		**Data Centres**
Balance, March 31, 2017	$	-
Additions		60,284,690
Balance, March 31, 2018		60,284,690
Additions		22,000,000
Balance, June 30, 2018	**$**	**82,284,690**
Accumulated depreciation		
Balance, March 31, 2017	$	-
Depreciation		3,197,911
Balance, March 31, 2018		3,197,911
Depreciation		4,684,456
Balance, June 30, 2018	**$**	**7,882,367**
Carrying amount		
Balance, March 31, 2018	$	57,086,779
Balance, June 30, 2018	**$**	**74,402,323**

All of the additions to Data Centre Equipment were acquired pursuant to purchase orders under the Master Data Centre Equipment Purchase Agreement from Genesis (Note 6). Genesis also provides maintenance and related services for the facilities pursuant to the existing Master Services Agreement (Note 14).

(Expressed in US dollars unless otherwise indicated)

10. Data Centre Equipment (continued…)

The Company's acquisitions of equipment are summarized as follows:

Facility	Commencement date	Purchase price	
Iceland GPU - phase I	September 2017	$	9,000,000
Iceland GPU - phase II	October 2017		7,284,690
Sweden GPU - phase I	January 2018		22,000,000
Sweden GPU - phase II	March 2018		22,000,000
Sweden GPU - phase III	April 2018		22,000,000
Total		**$**	**82,284,690**

11. Deposits

The Deposits at June 30, 2018 and March 31, 2018 consist of:

Description	Commencement date	June 30, 2018		March 31, 2018	
Sweden GPU - phase III	April 2018	$	-	$	22,000,000
Cloud - SHA 256	*Estimated September 2018*		34,000,000		34,000,000
Total		**$**	**34,000,000**	$	56,000,000

The SHA-256 ASIC agreement for mining capacity was amended in August 2018 (Note 23).

12. Accounts Payable and Accrued Liabilities

In June 2017, a company controlled by a former significant shareholder of the Company agreed to extinguish a total of $1,365,798 of accounts payable and accordingly the Company recorded this amount as write-off of accounts payable. Included in accounts payable at March 31, 2018 was $8,500,000 due to Genesis for the VAT portion of deposits paid (Note 14), which was paid during the period ended June 30, 2018. This transaction was considered to be between shareholders acting in their capacity as shareholders and therefore has been recorded directly within equity.

	June 30, 2018		March 31, 2018	
Accounts payable and accrued liabilities	$	922,489	$	10,034,134
Current income taxes payable		57,000		-
Total	**$**	**979,489**	$	10,034,134

13. Loans Payable

a) As part of the Norway Acquisition (Note 7) the Company assumed loans with a principal balance of $2,559,599 (NOK 20,915,000). A continuity of the loan balance from the date of the Norway Acquisition to June 30, 2018 is as follows:

Loan balance - acquisition	$	2,559,599
Accrued interest - acquisition		191,482
Interest to June 30, 2018		12,856
Foreign exchange movement		(40,306)
Balance - June 30, 2018	**$**	**2,723,631**

13. Loans Payable (continued…)

b) During the year ended March 31, 2018, the Company received a loan of C$210,000 ($168,269) from a company owned by the Chief Executive Officer of the Company, which bore interest at 6% per annum, was unsecured, and had a term of one year. In connection with this loan, the Company issued 699,999 bonus warrants with an exercise price of C$0.30 and a term of one year. In October 2017, the Company repaid the principal of C$210,000 and accrued interest of $1,506.

The bonus warrants are considered to be a cost of the financing and have an estimated fair value of $40,094, which is included in interest expense, using the following Black Scholes assumptions: i) volatility of 65%; ii) term of one year; iii) interest rate of 0.93% - 1.21%; and iv) dividend yield of 0.00%.

14. Related Party Transactions

The Company had the following related party transactions not otherwise disclosed in these financial statements:

a) As at June 30, 2018, the Company had $Nil (March 31, 2018 - $8,500,000) due to Genesis for the VAT portion of the deposits paid, as well as $166,020 (March 31, 2018 – $125,396) due to directors for the reimbursement of expenses included in accounts payable and accrued liabilities.
b) For the period ended June 30, 2018 operating and maintenance costs of $4,219,483 (June 30, 2017 - $Nil) were paid to Genesis pursuant to the Master Services Agreement.

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

For the period ended June 30, 2018, key management compensation includes salaries and wages paid to key management personnel and directors of $150,254.

15. Equity

a) Authorized

Unlimited common shares without par value
Unlimited preferred shares without par value

b) Issued and fully paid common shares

During the period ended June 30, 2018, the Company:

- Issued 166,666 common shares for proceeds of C$50,000 ($38,450) pursuant to the exercise of 166,666 warrants at C$0.30 per warrant. An amount of $9,546 was reallocated from reserves to share capital in connection with the exercise of these warrants;
- Issued 4,750,000 common shares with a value of C$5,937,500 ($4,644,033) and 1,250,000 warrants with a value of $715,041 as consideration for the Norway Acquisition (Note 7);and
- Issued 750,000 common shares for proceeds of C$225,000 ($175,589) pursuant to the exercise of 750,000 options at a price of C$0.30 per option. An amount of $94,986 was reallocated from reserves to share capital in connection with the exercise of these options.

(Expressed in US dollars unless otherwise indicated)

15. Equity (continued…)

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

- Issued 34,285,714 common shares for proceeds of C$1,714,286 ($1,373,627) pursuant to the exercise of 34,285,714 warrants at C$0.05 per warrant;
- Issued 5,603,248 common shares for proceeds of C$2,559,665 ($2,045,355) pursuant to the exercise of 5,603,248 options at a price of C$0.30 per option. An amount of $700,605 was reallocated from reserves to share capital in connection with the exercise of these options;
- Refunded share subscriptions received of $11,935;
- Issued 71,374,199 common shares with a value of C$21,412,260 ($17,157,259) pursuant to the Genesis Transaction (Note 6);
- Completed a private placement of C$16,500,000 ($13,221,154) pursuant to the conversion of 55,000,000 subscription receipts into 55,000,000 common shares of the Company;
- Completed a private placement of C$37,000,000 ($29,604,737) through the issuance of 24,666,667 common shares at a price of C$1.50 per share. As part of the financing, Genesis acquired 4,666,667 shares at a price of C$1.50 for proceeds of C$7,000,000 ($5,600,896);
- Issued 2,040,000 common shares with a value of C$3,957,600 ($3,166,581) to acquire data centre equipment in Iceland (Note 10);
- Completed a private placement of C$34,502,300 ($27,096,756) through the issuance of 12,322,250 units at a price of C$2.80 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at a price of C$3.90 until November 14, 2019. As part of this financing, Genesis acquired 1,818,180 units at a price of C$2.80 for proceeds of C$5,090,904 ($3,998,197);
- Completed a private placement for gross proceeds of C$115,000,000 ($90,678,513) through the issuance of 36,507,900 units at a price of $3.15 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to purchase one common share at a price of C$3.90 until November 14, 2019. As part of this financing, Genesis acquired 952,380 units at a price of C$3.15 for proceeds of C$3,000,000 ($2,391,391); and
- In connection with the above financings and equity issuances, the Company incurred share issuance costs of $10,337,923.

c) Stock options

The Company has established a rolling Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options granted to Consultants performing Investor Relations activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any 3 month period. All other options vest at the discretion of the Board of Directors.

Following is a summary of changes in stock options outstanding for the period ended June 30, 2018:

	Outstanding		Weighted average exercise price
Balance, March 31, 2017	-	C$	-
Granted	25,649,666		0.52
Cancelled	(46,154)		0.30
Exercised	(5,603,248)		0.30
Balance, March 31, 2018	20,000,264	C$	0.52
Exercised	(750,000)		0.30
Balance, June 30, 2018	19,250,264	C$	0.57

(Expressed in US dollars unless otherwise indicated)

15. **Equity** (continued…)

*c) Stock options (*continued…)

The stock options outstanding and exercisable as at June 30, 2018, are as follows:

Outstanding	Exercisable	Exercise price	Expiry date
15,275,000	15,275,000	C$ 0.30	September 14, 2027
1,004,752	5,000	0.30	September 14, 2022
1,953,846	1,953,846	2.00	October 11, 2027
666,666	-	2.00	October 11, 2022
350,000	250,000	2.00	March 26, 2028
19,250,264	17,483,846		

Of the 25,649,666 options granted during the year ended March 31, 2018, 14,000,000 options were granted to directors and officers, 2,000,000 options were granted to individuals associated with Genesis, 6,075,000 options granted to various consultants, 1,999,666 options granted for investor relations services, and 1,225,000 were granted to various charities which are associated with directors or advisors of the Company.

d) Warrants

Following is a summary of changes in warrants outstanding for the period ended June 30, 2018:

	Warrants outstanding		Weighted average exercise price
Balance, March 31, 2017	34,285,714	C$	0.05
Issued	49,530,149		3.85
Exercised	(34,285,714)		0.05
Balance, March 31, 2018	49,530,149	C$	3.85
Granted	1,250,000		1.24
Exercised	(166,666)		0.30
Balance, June 30, 2018	50,613,483	C$	3.80

The warrants outstanding and exercisable as at June 30, 2018, are as follows:

Outstanding		Exercise price		Expiry date
533,333	*	C$	0.30	August 18, 2018
48,830,150			3.90	November 14, 2019
1,250,000	**		1.24	May 22, 2023
50,613,483				

* Subsequent to June 30, 2018, 533,333 warrants were exercised for proceeds of C$160,000.

** Of the 1,250,000 warrants granted as part of the Norway Acquisition (Note 7), 400,000 vest upon the receipt of all regulatory permits required to commence construction of a digital currency mining data centre in Ballangen Norway. A further 450,000 warrants vest upon the commencement of the mining of digital currency or other revenue generating activity on the property.

15. Equity (continued…)

e) Share-based compensation

During the period ended June 30, 2018, $98,001 of share-based compensation expense was recognized in relation to the vesting of options.

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

- Granted 21,300,000 stock options with an exercise price of C$0.30 per share and an expiry date of September 14, 2027, which vested immediately; the fair value per option granted was $0.13 with a share-based compensation expense of $2,697,588;
- Granted 1,333,000 stock options with an exercise price of C$0.30 per share, and an expiry date of September 14, 2022, vesting as follows: 25% on each of 3 months, 12 months, 24 months and 36 months after September 14, 2017. The fair value per option of the options granted is estimated at $0.09 per option and the share-based compensation expense recognized for the vesting of these options to March 31, 2018 was $74,581;
- Granted 2,000,000 stock options with an exercise price of C$2.00 per share, and an expiry date of October 11, 2027, which vested immediately; the fair value per option granted was $0.87 with a share-based compensation expense of $1,735,099; and
- Granted 666,666 stock options with an exercise price of C$2.00 per share, and an expiry date of October 11, 2022, which vest 1/6 on March 1, 2019 and then a further 1/6 every three months thereafter with the final tranche vesting on June 1, 2020. The fair value per option granted was $0.62 per option and the share-based compensation expense recognized for the vesting of these options to March 31, 2018 was $98,440.
- Granted 350,000 stock options with an exercise price of C$2.00 per share, and an expiry date of March 26, 2028, of which 200,000 vested immediately and 150,000 vest in six months. The fair value per option granted was $0.76 per option and the share-based compensation expense recognized for the vesting of these options to March 31, 2018 was $211,311.

16. Loss per share

Loss per common share represents net loss for the period divided by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all the years presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the dilutive securities.

17. General and administrative expenses

General and administrative expenses were comprised of the following:

		June 30, 2018		June 30, 2017
Management fees, salaries and wages	$	290,960	$	-
Marketing		402,382		-
Office, administration, and regulatory		189,948		5,569
Professional fees, advisory, and consulting		400,493		19,158
Travel		255,757		-
Total	**$**	**1,539,540**	$	24,727

18. Financial Instruments and Risk Management

The Company is exposed, in varying degrees, to a variety of financial related risks. The fair value of the Company's financial instruments, including cash, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short term nature. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 as at June 30, 2018. The majority of cash is deposited in bank accounts held primarily with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. The Company manages company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations cause in digital currency prices and exchange rates.

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations as well as the currency in which the Company has historically raised capital.

The Company's presentation currency is the US dollar and major purchases are transacted in US dollars, while all financing to date has been completed in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than an entity's functional currency. A portion of the Company's general and administrative costs are incurred mainly in currencies separate from each entity's functional currency, such as Swiss Francs, the Euro, the Swedish Krona, the Norwegian Krone, and Icelandic Krona. The fluctuation of these currencies in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

(Expressed in US dollars unless otherwise indicated)

18. Financial Instruments and Risk Management (continued…)

Foreign currency risk (continued…)

The Company's net monetary position in the significant foreign currencies as of June 30, 2018 is summarized below with the effect on earnings before tax of a 10% fluctuation of each currency relative to the functional currency of the entity holding it to the USD dollar:

	Net Monetary Position June 30, 2018 (USD$ equivalent)	Impact of 10% variance in foreign exchange rate
US Dollars	1,952,640	195,264
Euros	8,718	872
Swiss Francs	(236,076)	(23,608)
Swedish Krona	1,298,306	129,831
Norwegian Krone	(2,541,961)	(254,196)
Icelandic Krona	538,051	53,805

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

19. Digital Currency and Risk Management

Digital currencies are measured using level two fair values, determined by taking the rate from www.cryptocompare.com.

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 or future mining of digital currencies.

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 Ethereum, Ethereum Classic and ZCash. 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 June 30, 2018.

		Impact of 25% variance in price
Ethereum	$	3,694,110
Ethereum Classic		323,577
ZCash		10,169

(Expressed in US dollars unless otherwise indicated)

20. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2018.

21. Comparative Figures

Certain comparative data have been reclassified to conform with the presentation of the current year. The Company has grouped together certain items on the statements of financial positions and cash flows, and certain expenses on the statements of loss and comprehensive loss. There is no net impact on the financial position, net loss, cash flows or loss per share in fiscal 2018 as a result of these reclassifications.

22. Segmented Information

The Company operates in one segment, the mining and sale of digital currencies. All income from digital currency mining was principally generated in Switzerland during the period ended June 30, 2018 (June 30, 2017 - $Nil). The Company's non-current tangible assets are located in the following foreign jurisdictions:

June 30, 2018	Sweden	Iceland	Norway	Total
Data centre equipment	$ 61,187,503	$ 13,214,820	$ -	$ 74,402,323
Land	-	-	15,412,793	15,412,793
	$ 61,187,503	$ 13,214,820	$ 15,412,793	$ 89,815,116

23. Subsequent Event

The Company amended the terms of its December 2017 agreement to acquire certain SHA-256 equipment in September 2018. The SHA-256 ASIC expansion of 200 petahashes ("PHs") will launch on September 30, 2018, initially through the provision of cloud-based capacity by Genesis ("Cloud Mining"). The Cloud Mining is an amendment to the terms of the Company's original agreement with Genesis to add 200 PHs of SHA-256 capacity in Sweden. Under the revised agreement, 200 PHs will be provided pursuant to a cloud hosting arrangement until delivery of the mining rigs occurs within the next twelve months. As at June 30, 2018, the Company has advanced $34,000,000 towards this mining capacity.