



HIVE
HIVEBLOCKCHAIN.COM
TSX.V: **HIVE** 

HIVE Blockchain Technologies Ltd.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2019 and 2018
(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)



| | December 31, 2019 | March 31, 2019 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 6,187,545 | \$ 6,810,471 |
| Amounts receivable and prepaids (Note 8) | 7,943,569 | 2,671,402 |
| Investments (Note 9) | - | 2,014,564 |
| Digital currencies (Note 10) | 3,390,373 | 4,158,501 |
| | 17,521,487 | 15,654,938 |
| Data centre equipment (Note 11) | 7,261,515 | 9,798,956 |
| Cloud mining rights (Note 12) | 1,113,406 | 2,307,303 |
| Right of use asset (Note 15) | 279,786 | - |
| Total assets | \$ 26,176,194 | \$ 27,761,197 |
| Liabilities and equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,695,922 | \$ 2,985,648 |
| Loans payable (Note 14) | 2,974,267 | 2,827,024 |
| | 5,670,189 | 5,812,672 |
| Lease liability (Note 15) | 290,915 | - |
| Total liabilities | 5,961,104 | 5,812,672 |
| Equity | | |
| Share capital (Note 17) | 188,507,271 | 188,027,060 |
| Reserves and accumulated other comprehensive income | 5,796,422 | 5,426,044 |
| Deficit | (174,088,603) | (171,504,579) |
| Total equity | 20,215,090 | 21,948,525 |
| Total liabilities and equity | \$ 26,176,194 | \$ 27,761,197 |

Nature of operations (Note 1)
Subsequent events (Notes 17 & 24)

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

HIVE Blockchain Technologies Ltd.
Condensed Interim Consolidated Statements of Income (Loss) and
Comprehensive Income (Loss)
(Expressed in US dollars unless otherwise indicated)
(Unaudited)



| | Three months ended December 31, | | Nine months ended December 31, | |
|---|---------------------------------|------------------------|--------------------------------|------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Income from digital currency mining (Note 10) | \$ 5,003,944 | \$ 8,449,545 | \$ 26,135,552 | \$ 25,633,426 |
| Cost of digital currency mining | | | | |
| Operating and maintenance costs (Note 16) | (1,170,145) | (10,694,763) | (19,296,937) | (19,574,719) |
| Depreciation (Notes 11, 12 & 15) | (1,345,212) | (9,392,790) | (3,850,241) | (19,220,035) |
| | 2,488,587 | (11,638,008) | 2,988,374 | (13,161,328) |
| Revaluation of digital currencies (Note 10) | (727,064) | (4,602,879) | (2,639,579) | (13,772,008) |
| Gain (loss) on sale of digital currencies (Note 10) | 107,960 | (1,825,637) | 261,681 | (2,925,350) |
| Expenses | | | | |
| General and administrative (Note 19) | (1,125,864) | (967,656) | (3,791,320) | (3,225,862) |
| Impairment (Note 13) | - | (15,967,785) | - | (30,714,205) |
| Foreign exchange | 2,860,408 | (895,312) | (302,211) | (2,745,910) |
| Share-based compensation (Note 17) | (62,220) | (531,587) | (371,119) | (789,949) |
| | 1,672,324 | (18,362,340) | (4,464,650) | (37,475,926) |
| Realized gain on investments (Note 9) | - | - | 1,531,464 | - |
| Finance income (expense) (Notes 14 & 15) | (153,792) | 4,886 | (261,314) | (11,856) |
| Net income (loss) before tax | 3,388,015 | (36,423,978) | (2,584,024) | (67,346,468) |
| Tax expense | - | - | - | (50,000) |
| Net income (loss) for the period | \$ 3,388,015 | \$ (36,423,978) | \$ (2,584,024) | \$ (67,396,468) |
| Other comprehensive income (loss) | | | | |
| Other comprehensive income (loss) to be reclassified to in subsequent periods: | | | | |
| Translation adjustment | 170,930 | 265,214 | 172,758 | 171,234 |
| | 170,930 | 265,214 | 172,758 | 171,234 |
| Net income (loss) and comprehensive income (loss) for the period | \$ 3,558,945 | \$ (36,158,764) | \$ (2,411,266) | \$ (67,225,234) |
| Basic and diluted income (loss) per share | \$ 0.01 | \$ (0.12) | \$ (0.01) | \$ (0.22) |
| Weighted average number of common shares outstanding | | | | |
| Basic and diluted (Note 18) | 327,045,564 | 313,945,652 | 326,827,723 | 312,666,031 |

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

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



| | Share capital | | Equity reserve | Cumulative translation adjustment | Deficit | Total equity (deficiency) |
|---------------------------------------|--------------------|--------------------|------------------|-----------------------------------|----------------------|---------------------------|
| | Shares issued | Amount \$ | | | | |
| At March 31, 2018 | 307,724,825 | 180,366,602 | 4,196,391 | 246,191 | (33,702,459) | 151,106,725 |
| Share-based compensation | - | - | 1,132,371 | - | - | 1,132,371 |
| Exercise of warrants | 699,999 | 200,686 | (40,094) | - | - | 160,592 |
| Exercise of options | 4,183,312 | 1,482,801 | (529,806) | - | - | 952,995 |
| Norway acquisition (Note 7) | 4,750,000 | 4,233,968 | 715,041 | - | - | 4,949,009 |
| Shares issued for Cloud Mining Rights | 8,317,490 | 1,743,003 | - | - | - | 1,743,003 |
| Loss for the year | - | - | - | - | (137,802,120) | (137,802,120) |
| Translation adjustment | - | - | - | (294,050) | - | (294,050) |
| At March 31, 2019 | 325,675,626 | 188,027,060 | 5,473,903 | (47,859) | (171,504,579) | 21,948,525 |
| Share-based compensation | - | - | 371,119 | - | - | 371,119 |
| Exercise of options | 1,369,938 | 480,211 | (173,499) | - | - | 306,712 |
| Loss for the period | - | - | - | - | (2,584,024) | (2,584,024) |
| Translation adjustment | - | - | - | 172,758 | - | 172,758 |
| At December 31, 2019 | 327,045,564 | 188,507,271 | 5,671,523 | 124,899 | (174,088,603) | 20,215,090 |

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

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



| | For the nine months ended December 31, | |
|---|--|---------------------|
| | 2019 | 2018 |
| Operating activities | | |
| Loss for the period: | \$ (2,584,024) | \$ (67,396,468) |
| Adjusted for: | | |
| Depreciation | 3,850,241 | 19,220,035 |
| Impairment (Note 13) | - | 30,714,205 |
| Realized gain on investment | (1,531,464) | - |
| Lease payment | (123,181) | - |
| Tax expense | - | 50,000 |
| Share-based compensation | 371,119 | 789,949 |
| Interest expense (Notes 14 & 15) | 162,649 | 51,202 |
| Changes in non-cash working capital items: | | |
| Amounts receivable and prepaids | (5,438,650) | 24,650,238 |
| Digital currencies | 4,314,156 | (2,675,469) |
| Accounts payable and accrued liabilities | (237,026) | (6,986,793) |
| Cash used in operating activities | (1,216,180) | (1,583,101) |
| Investing activities | | |
| Norway Acquisition (Note 7) | - | (7,330,625) |
| Cash acquired in Norway Acquisition (Note 7) | - | 25,193 |
| Cash used in investing activities | - | (7,305,432) |
| Financing activities | | |
| Exercise of warrants and options | 306,712 | 355,437 |
| Cash provided by financing activities | 306,712 | 355,437 |
| Effect of exchange rate changes on cash | 286,542 | 119,397 |
| Net decrease in cash during the period | (622,926) | (8,413,699) |
| Cash, beginning of period | 6,810,471 | 14,729,290 |
| Cash, end of period | \$ 6,187,545 | \$ 6,315,591 |
| Supplemental cash flow information | | |
| Warrant consideration issued for Norway Acquisition | \$ - | \$ 715,041 |
| Share consideration issued for Norway Acquisition | \$ - | \$ 4,644,033 |
| Digital asset consideration received on investment redemption | \$ (3,546,028) | \$ - |
| Recognition of right of use asset and lease liability | \$ 279,786 | \$ - |
| Supplemental disclosures: | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |

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

1. Nature of Operations

HIVE Blockchain Technologies Ltd. was incorporated in the province of British Columbia on June 24, 1987. The Company is listed on the TSXV 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. 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. Digital currencies are subject to risks unique to the asset class and different from traditional assets. Additionally, at times assets may be held by third party custodians or exchanges that are limited in oversight by regulatory authorities.

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, 2019 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 March 2, 2020.

(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.

2. Basis of Presentation (continued...)

As of December 31, 2019, the Company had six wholly owned subsidiaries, HIVE Blockchain Iceland ehf., HIVE Blockchain Switzerland AG, Boden Technologies AB, HIVE Digital Data Ltd., Liv Eiendom AS, and Kolos Norway AS.

(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. The functional currency for HIVE Blockchain Technologies Ltd. is the Canadian dollar, and is the US dollar for its wholly owned subsidiaries.

(d) Comprehensive income (loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes gains and losses from translating the financial statements of an entity's whose functional currency differs from the presentation currency.

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) Digital assets - accounting

The Company has assessed that it acts in a capacity as a commodity broker trader as defined in IAS 2, *Inventories*, in characterizing certain of its holdings as inventory, or more specifically, digital assets. If assets held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin, such assets are accounted for as inventory, and changes in fair value (less costs to sell) are recognized in profit or loss.

(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 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.

3. Significant Judgements (continued...)

(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. The coins are recorded on the statement of financial position, as digital currencies, at their fair value less costs to sell 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 the stage of completion being the completion and 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.

(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.

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.

4. Significant Estimates (continued...)

(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 and current 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 10) and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. 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. Fair value is determined by taking the price at 2400 (per the Central European Time zone) from www.coinmarketcap.com.

(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, 2019

Effective April 1, 2019, the Company adopted IFRS 16 Leases (“IFRS 16”), which replaced IAS 17 Leases. The new standard requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after April 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company has evaluated the impact of the changes to its financial statements based on the characteristics of any leases in place before the effective date, and has recognized a lease liability and right-of-use asset in connection with its property leases. The majority of the Company’s remaining leases are of a short-term nature, for which the Company has applied exemptions available under IFRS 16.

The impact on the Company’s statement of financial position on April 1, 2019 is the recognition of a lease liability and right-of-use assets of \$398,690 (CHF362,150). This liability was determined at as the present value of the Company’s unavoidable lease payments, discounted at the Company’s incremental borrowing rate of 6%. The expected profit & loss impact is recognition of interest expense associated with this lease liability, accrued at the incremental borrowing rate, and amortization of the corresponding right-of-use assets over their remaining lease terms of 2.5 years.

| Reconciliation - IAS 17 to IFRS 16 | |
|--|-------------------|
| Operating lease obligations as at March 31, 2019 | \$ - |
| Gross lease liabilities at April 1, 2019 | 427,464 |
| Discounting | (36,619) |
| Present value of finance lease liabilities at March 31, 2019 | 390,845 |
| Additional lease liabilities as a result of initial application of IFRS 16 as at April 1, 2019 | - |
| | \$ 390,845 |

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.

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. In connection with the Genesis Transaction, Genesis became a related party.

6. Genesis Transaction (continued...)

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. As of December 31, 2019, Genesis owned 16.86% of the Company on a non-diluted basis, per public filings.

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.

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.

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

6. Genesis Transaction (continued...)

- 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 during fiscal 2018.

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.

During the years ended March 31, 2019, and 2018, the Company entered into further acquisition agreements with Genesis (Note 12).

On June 28, 2019 the Company reached a settlement agreement with Genesis. The agreement resolved issues associated with the Sweden data centre and both parties agreed to mutually release each other from all claims arising from the Master Services Agreement and other related agreements, discontinue any legal proceedings, and withdraw any demands that were made. As part of the settlement the Company assumed responsibility for the operation of the Sweden and Iceland data centres from Genesis, and Genesis is providing transitional services to the Company to ensure an orderly transition. As part of the agreement, for a period of three years, Genesis will be entitled to nominate one director to the HIVE board of directors provided it continues to hold no less than 10% of the Company's shares.

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 (of which \$195,640 was recorded as deferred acquisition costs as at March 31, 2018).

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 \$4,233,968 or \$0.89 (C\$1.14) per share, being the fair value at the time of issue.



7. Norway Acquisition (continued...)

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%.

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 were due December 31, 2018 and bear interest at a rate of 6% per annum. As the loans were not repaid by the due date of December 31, 2018 the interest rate is now increased to 9% per annum. Refer to Note 14 for the balance of loans payable at December 31, 2019.

In early December 2018 the Norwegian Parliament approved a legislative bill that cryptocurrency miners will no longer be subject to the relief on power consumption at the same rate as other power-intensive industries. This change, which is included in the state budget for 2019, was expected to take effect in March 2019.

As a result of the proposed changes, in December, 2018, the Company sent a letter to debt holders associated with the Kolos acquisition with proposed changes to the loan agreement. The Company proposed an extension of the term of the convertible loan by one year as the Company assesses the impact that the Norwegian Parliament's proposed changes could have on future development plans and on the value of HIVE's sole Norwegian asset.

7. Norway Acquisition (continued...)

The fair value of the land development rights acquired, being \$15,002,728, was determined in reference to the excess of the purchase consideration over the fair value of the monetary assets and liabilities acquired. Management has rebutted the presumption in IFRS 2.13 that the fair value of the land rights can be estimated reliably and has instead measured the fair value of the land development rights in reference to the equity instruments granted. This rebuttal was based on the unique nature and lack of market data pertaining to the land development rights. The land development rights, 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 by March 2023, among other conditions.

| Consideration: | |
|---|----------------------|
| 4,750,000 common shares at a value of \$0.89 (C\$1.14) per share: | \$ 4,233,968 |
| 1,250,000 warrants exercisable at C1.24 for five years | 715,041 |
| Cash | 6,902,498 |
| Transaction costs | 428,127 |
| | \$ 12,279,634 |
| Net assets of Norway Acquisition: | |
| Cash | \$ 25,193 |
| Land development rights | 15,002,728 |
| Other receivables | 2,794 |
| Loans payable | (2,751,081) |
| | \$ 12,279,634 |

Management assessed whether there were any indicators of impairment under IAS 36. Management has concluded that it is no longer probable that the Company will be able to meet the development conditions of having the property developed by March 2023. As a result, the land development rights are impaired and were written down to \$nil as at March 31, 2019.

8. Amounts Receivable and Prepaids

| | December 31, 2019 | March 31, 2019 |
|--|--------------------------|-----------------------|
| Sales tax receivable | \$ 4,841,054 | \$ 790,324 |
| Prepaid expenses and other receivables | 260,308 | 233,491 |
| Energy tax receivable | 2,800,000 | - |
| Digital assets receivable (Note 16) | 42,207 | 1,647,587 |
| Total | \$ 7,943,569 | \$ 2,671,402 |

9. Investments

The Company's holdings that are not traded in active markets by the Company are considered investments. Investments are accounted for as financial assets which are initially recognized at fair value and subsequently measured through fair value through profit or loss. Below are the Company's investments as of December 31, 2019 and March 31, 2019:

| | December 31, 2019 | | March 31, 2019 | |
|--------------|--------------------------|----------|-----------------------|------------------|
| Amber AI | \$ | - | \$ | 2,014,564 |
| Total | \$ | - | \$ | 2,014,564 |

Amber AI: In November 2018 the Company entered into a subscription agreement with Amber AI for an investment in a fund that holds digital currencies ("the "Investment"). At the time of the investment in Amber AI, the market value of the digital currency sent to Amber AI totalled \$3,342,285.

On July 19, 2019, the Company redeemed its investment held with Amber AI. The redemption was in the form of 14,866 ETH coins with a fair market value of \$3,546,028.

As at December 31, 2019, the Company held no investments. Investment is recorded at its fair value on the date that the investment was entered into, and is revalued to the current market value at each reporting date.

The continuity of investments was as follows:

| | Investments | |
|-----------------------------------|--------------------|-------------|
| Balance, March 31, 2019 | \$ | 2,014,564 |
| Redemption of investment | \$ | (3,546,028) |
| Realized gain on investments | | 1,531,464 |
| Balance, December 31, 2019 | \$ | - |

10. Digital Currencies

As at December 31, 2019, the Company's digital currencies consisted of the below digital currencies, with a fair value of \$3,390,373. 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:

| | December 31, 2019 | | March 31, 2019 | |
|------------------|--------------------------|------------------|----------------|------------------|
| Ethereum | \$ | 2,207,769 | \$ | 3,181,497 |
| Ethereum Classic | | 236,964 | | 717,227 |
| Bitcoin | | 939,098 | | 245,981 |
| ZCash | | 6,542 | | 13,796 |
| Total | \$ | 3,390,373 | \$ | 4,158,501 |

The continuity of digital currencies was as follows:

| | December 31, 2019 | | March 31, 2019 | |
|----------------------------|--------------------------|------------------|----------------|------------------|
| Opening balance | \$ | 4,158,501 | \$ | 7,754,307 |
| Digital currency mined | | 26,135,552 | | 31,824,443 |
| Digital assets receivable | | - | | (1,647,587) |
| Digital assets received | | 5,251,856 | | - |
| Digital currency purchased | | - | | 1,138,794 |
| Digital currency sold | | (29,515,957) | | (24,773,108) |
| Revaluation adjustment | | (2,639,579) | | (10,138,348) |
| Ending balance | \$ | 3,390,373 | \$ | 4,158,501 |

During the nine month period ended December 31, 2019 the Company sold digital currencies for proceeds totalling \$29,777,638 (December 31, 2018 - \$6,260,599) with a cost of \$29,515,957 (December 31, 2018 - \$9,185,949), and recorded a gain on sale of \$261,681 (December 31, 2018 – loss of \$2,925,350).

11. Data Centre Equipment

| <i>Cost</i> | | Data Centres |
|-----------------------------------|-----------|---------------------|
| Balance, March 31, 2018 | \$ | 60,284,690 |
| Additions | | 22,000,000 |
| Balance, March 31, 2019 | | 82,284,690 |
| Additions | | - |
| Balance, December 31, 2019 | \$ | 82,284,690 |

| <i>Accumulated depreciation and impairment</i> | | |
|--|-----------|-------------------|
| Balance, March 31, 2018 | \$ | 3,197,911 |
| Depreciation | | 20,112,823 |
| Impairment | | 49,175,000 |
| Balance, March 31, 2019 | | 72,485,734 |
| Depreciation | | 2,537,441 |
| Balance, December 31, 2019 | \$ | 75,023,175 |

| <i>Carrying amount</i> | | |
|-----------------------------------|-----------|------------------|
| Balance, March 31, 2019 | \$ | 9,798,956 |
| Balance, December 31, 2019 | \$ | 7,261,515 |

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 provided maintenance and related services for the facilities pursuant to a Master Services Agreement (Note 16).

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 |

12. Cloud Mining Rights

| Cost | | Cloud Mining |
|-----------------------------------|-----------|---------------------|
| Balance, March 31, 2018 | \$ | - |
| Additions | | 38,268,766 |
| Balance, March 31, 2019 | | 38,268,766 |
| Additions | | - |
| Balance, December 31, 2019 | \$ | 38,268,766 |

| Accumulated depreciation and impairment | | |
|--|-----------|-------------------|
| Balance, March 31, 2018 | \$ | - |
| Depreciation | | 9,211,463 |
| Impairment | | 26,750,000 |
| Balance, March 31, 2019 | | 35,961,463 |
| Depreciation | | 1,193,896 |
| Balance, December 31, 2019 | \$ | 37,155,359 |

| Carrying amount | | |
|-----------------------------------|-----------|------------------|
| Balance, March 31, 2019 | \$ | 2,307,303 |
| Balance, December 31, 2019 | \$ | 1,113,406 |

The asset addition to Cloud Mining Rights for the Cloud – SHA 256: 200 PH's of \$34,000,000 was acquired pursuant to a purchase order under the Master Data Centre Equipment Purchase Agreement from Genesis (Note 6). The addition to Cloud Mining Rights for the Cloud – SHA 256: 100 PH's was pursuant to a services agreement with Genesis in consideration for 8,317,490 common shares with a value of C\$2,370,485 (\$1,743,003) and digital assets with a value of \$2,525,763.

The Company amended the terms of its December 2017 agreement to acquire certain SHA-256 equipment. The SHA-256 ASIC expansion of 200 PH/s launched 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 PH/s of SHA-256 capacity in Sweden. Under the revised agreement, 200 PH/s will be provided pursuant to a cloud hosting arrangement until delivery of the mining rigs occurs within the next twelve months.

In November 2018 the Company amended the terms of the cloud mining agreement to reduce operating costs by approximately 30% retroactive to October 1, 2018, and provides the option to extend the contract term to two years from one year.

As a result

The Company's acquisitions are summarized as follows:

| | Commencement date | Purchase price |
|---------------------------|--------------------------|-----------------------|
| Cloud - SHA 256: 200 PH's | September 2018 | \$ 34,000,000 |
| Cloud - SHA 256: 100 PH's | January 2019 | 4,268,766 |
| Total | | \$ 38,268,766 |

13. Impairment

Management assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impaired. Management performs its assessment of possible impairment to its data centre equipment in 3 identifiable Cash Generating Units (“CGU’s”) those being i) Iceland GPU (comprised of Iceland GPU – phase I, and Iceland GPU – phase II); ii) Sweden GPU (comprised of Sweden GPU – phase I, Sweden GPU – phase II, and Sweden GPU – phase III); and Cloud Mining Rights (comprised of Cloud – SHA 256: 200 PH’s, and Cloud – SHA 256: 100 PH’s).

Management performed an assessment at the nine months ended December 31, 2019 and determined that the assets were not impaired.

14. Loans Payable

As part of the Norway Acquisition (Note 7) the Company assumed loans with a principal balance of \$2,559,599 (NOK 20,915,000). The loans are in default as at December 31, 2019. A continuity of the loan balance from the date of the Norway Acquisition to December 31, 2019 is as follows:

| | | |
|------------------------------------|-----------|------------------|
| Loan balance - acquisition | \$ | 2,559,599 |
| Accrued interest - acquisition | | 191,482 |
| Interest to December 31, 2019 | | 286,346 |
| Foreign exchange movement | | (63,160) |
| Balance - December 31, 2019 | \$ | 2,974,267 |

15. Right of Use Asset and Lease Liability

As indicated in Note 5, the Company adopted a new lease standard and recognized \$460,379 of lease liability on April 1, 2019. The lease liability was measured at the present value of the remaining lease payments of \$398,690 as of April 1, 2019, discounted using an incremental borrowing rate of that date of 6%. The Company recorded a right of use asset of the same amount which relates to its long-term office lease. Depreciation of the right of use asset is calculated using the straight line method over the remaining lease term.

During the nine months ended December 31, 2019, the Company recognized interest expense on the lease liability of \$15,406 which was recorded within finance expense.

| <i>Cost</i> | <i>Right to Use Asset</i> | |
|--|---------------------------|------------------|
| Balance, March 31, 2019 | \$ | - |
| Transition to IFRS 16 | | 398,690 |
| Balance, December 31, 2019 | \$ | 398,690 |
| <i>Accumulated depreciation</i> | | |
| Balance, March 31, 2019 | \$ | - |
| Depreciation | | (118,904) |
| Balance, December 31, 2019 | \$ | (118,904) |
| <i>Carrying amount</i> | | |
| Balance, March 31, 2019 | \$ | - |
| Balance, December 31, 2019 | \$ | 279,786 |
| <i>Lease Disclosures</i> | | |
| Interest expense on lease liabilities | \$ | 15,406 |
| Total cash outflow for leases | \$ | 123,181 |
| <i>Maturity Analysis - Undiscounted Contractual Payments</i> | | |
| Less than 1 year | \$ | 166,237 |
| 1 to 2 years | \$ | 124,678 |
| | \$ | 290,915 |

16. Related Party Transactions

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

- a) As at December 31, 2019, the Company had \$315,823 (March 31, 2019 - \$1,868,941) due to Genesis for service fees, and \$42,207 (March 31, 2019 – \$1,647,587) due from Genesis for digital currencies held on the Company's behalf included in amounts receivable and prepaids.
- b) As at December 31, 2019, the Company had \$56,079 (March 31, 2019 – \$170,685) due to directors for the reimbursement of expenses included in accounts payable and accrued liabilities.
- c) For the quarter ended December 31, 2019, operating and maintenance costs of \$1,937,500 (December 31, 2018 - \$10,694,763) 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 December 31, 2019, key management compensation includes salaries and wages paid to key management personnel and directors of \$530,094 (December 31, 2018 - \$320,270).

17. 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 December 31, 2019, the Company:

- Issued 1,369,938 common shares for proceeds of C\$410,981 (\$306,712) pursuant to the exercise of 1,369,938 options at a price of C\$0.30 per option. An amount of \$173,499 was reallocated from reserves to share capital in connection with the exercise of these options.

During the year ended March 31, 2019, the Company:

- Issued 699,999 common shares for proceeds of C\$210,000 (\$160,592) pursuant to the exercise of 166,666 warrants at C\$0.30 per warrant. An amount of \$40,094 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);
- Issued 4,183,312 common shares for proceeds of C\$1,254,994 (\$956,431) pursuant to the exercise of 4,183,312 options at a price of C\$0.30 per option. An amount of \$529,806 was reallocated from reserves to share capital in connection with the exercise of these options; and
- Issued 8,317,490 common shares with a value of C\$2,370,485 (\$1,743,003) to Genesis pursuant to the Cloud – SHA 256: 100 PH's agreement.

(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 December 31, 2019:

| | Outstanding | Weighted average exercise price |
|----------------------------|-------------|------------------------------------|
| Balance, March 31, 2018 | 20,000,264 | C\$ 0.52 |
| Granted | 4,500,000 | 0.58 |
| Cancelled | (100,000) | 0.63 |
| Exercised | (4,183,312) | 0.30 |
| Balance, March 31, 2019 | 20,216,952 | C\$ 0.58 |
| Forfeited | (853,846) | 0.90 |
| Exercised | (1,369,938) | 0.30 |
| Balance, December 31, 2019 | 17,993,168 | C\$ 0.61 |

17. Equity (continued...)

(c) Stock options (continued...)

The stock options outstanding and exercisable as at December 31, 2019, are as follows:

| Outstanding | Exercisable | Exercise price | Expiry date |
|-------------------|-------------------|----------------|--------------------|
| 676,502 | 343,251 | C\$ 0.30 | September 14, 2022 |
| 666,666 | 444,444 | 2.00 | October 11, 2022 |
| 10,800,000 * | 10,800,000 | 0.30 | September 14, 2027 |
| 1,800,000 | 1,800,000 | 2.00 | October 11, 2027 |
| 250,000 | 250,000 | 2.00 | March 26, 2028 |
| 3,300,000 | 2,812,500 | 0.62 | September 18, 2028 |
| 500,000 | 250,000 | 0.27 | December 21, 2028 |
| 17,993,168 | 16,700,195 | | |

* Subsequent to December 31, 2019, 100,000 options were exercised for proceeds of C\$30,000

(d) Warrants

Following is a summary of changes in warrants outstanding for the period ended December 31, 2019:

| | Warrants outstanding | Weighted average exercise price |
|----------------------------|----------------------|---------------------------------|
| Balance, March 31, 2018 | 49,530,149 | C\$ 3.85 |
| Issued | 1,250,000 | 1.24 |
| Exercised | (699,999) | 0.30 |
| Balance, March 31, 2019 | 50,080,150 | C\$ 3.83 |
| Expired | (48,830,150) | 3.90 |
| Balance, December 31, 2019 | 1,250,000 | C\$ 1.24 |

The warrants outstanding and exercisable as at December 31, 2019, are as follows:

| Outstanding | Exercise price | Expiry date |
|-------------|----------------|--------------|
| 1,250,000 * | C\$ 1.24 | May 22, 2023 |

* 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.

17. Equity (continued...)

(e) Share-based compensation

During the period ended December 31, 2019, \$371,119 of share-based compensation expense was recognized in relation to the vesting of options.

During the year ended March 31, 2019, the Company:

- Granted 2,000,000 stock options with an exercise price of C\$0.62 per share and an expiry date of September 18, 2028, vesting as follows: 25% on each of 3 months, 6 months, 9 months and 12 months after September 18, 2018. The fair value per option of the options granted was \$0.35 per option and the share-based compensation expense recognized for the vesting of these options to December 31, 2018 was \$391,240; and
- Granted 2,000,000 stock options with an exercise price of C\$0.62 per share and an expiry date of September 18, 2028, which vest 50% on September 18, 2019, and then a further 12.5% every three months thereafter with the final tranche on September 18, 2020. The fair value per option of the options granted was \$0.37 per option and the share-based compensation expense recognized for the vesting of these options to December 31, 2018 was \$142,578.
- Granted 500,000 stock options with an exercise price of C\$0.27 per share and an expiry date of October 1, 2028, which vest 50% on October 1, 2019, and then a further 12.5% every three months thereafter with the final tranche on October 1, 2020. The fair value per option of the options granted was \$0.15 per option and the share-based compensation expense recognized for the vesting of these options to December 31, 2018 was \$1,932.

18. Income (loss) per share

Income (loss) per common share represents income (loss) for the period divided by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per share is calculated by dividing the applicable income (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 of the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the diluted securities.

19. General and administrative expenses

General and administrative expenses were comprised of the following for the none months ended:

| | December 31, 2019 | December 31, 2018 |
|---|--------------------------|---------------------|
| Management fees, salaries and wages | \$ 701,917 | \$ 800,607 |
| Marketing | 68,341 | 647,050 |
| Office, administration, and regulatory | 1,236,381 | 557,435 |
| Professional fees, advisory, and consulting | 1,540,973 | 795,583 |
| Travel | 243,708 | 425,187 |
| Total | \$ 3,791,320 | \$ 3,225,862 |

20. Financial Instruments and Risk Management

The fair values of investments were measured using the cost, market or income approaches. The investments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values, with the designation based upon the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy are:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3 Inputs: Unobservable inputs for the asset or liability (Unobservable inputs reflect management's assumptions on how market participants would price the asset or liability based on the information available).

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:

20. Financial Instruments and Risk Management (continued...)

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 December 31, 2019. 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.

The Company's net monetary position in the significant foreign currencies as of December 31, 2019 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 December 31, 2019 (USD\$ equivalent) | Impact of 10% variance in foreign exchange rate (in foreign currency) |
|------------------|--|---|
| US Dollars | 371,342 | 33,758 |
| Canadian Dollars | 68,538 | 4,787 |
| Euros | 29,169 | 2,974 |
| Swiss Francs | 3,012,957 | 283,135 |
| Swedish Krona | 1,823,319 | 17,749 |
| Norwegian Krone | (2,628,973) | 27,188 |
| Icelandic Krona | 894,367 | 673 |

20. Financial Instruments and Risk Management (continued...)

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.

21. Digital Currency and Risk Management

Digital currencies are measured using level two fair values.

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, Bitcoin 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 December 31, 2019.

| | Impact of 25% variance in price | |
|------------------|---------------------------------|---------|
| Ethereum | \$ | 551,944 |
| Ethereum Classic | | 59,241 |
| Bitcoin | | 235,590 |
| ZCash | | 1,637 |

22. 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, 2019.

23. 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 December 31, 2019. The Company's non-current tangible assets are located in the following foreign jurisdictions:

| December 31, 2019 | Sweden | Iceland | Switzerland | Norway | Total |
|-----------------------|--------------|------------|-------------|--------|--------------|
| Data centre equipment | \$ 6,437,701 | \$ 823,814 | \$ - | \$ - | \$ 7,261,515 |
| Cloud mining rights | 358,881 | - | 754,525 | - | 1,113,406 |
| | \$ 6,796,582 | \$ 823,814 | \$ 754,525 | \$ - | \$ 8,374,921 |

| March 31, 2019 | Sweden | Iceland | Switzerland | Norway | Total |
|-----------------------|---------------|--------------|-------------|--------|---------------|
| Data centre equipment | \$ 8,612,512 | \$ 1,186,444 | \$ - | \$ - | \$ 9,798,956 |
| Cloud mining rights | 1,733,880 | - | 573,423 | - | 2,307,303 |
| | \$ 10,346,392 | \$ 1,186,444 | \$ 573,423 | \$ - | \$ 12,106,259 |

24. Subsequent Event

In February 2020, the Company entered into an agreement with its electricity provider in Sweden to hedge the majority of its electricity requirements at its flagship Ethereum mining facility through the end of December 2020.

On February 10, 2020, the Company granted 3,000,000 stock options with an exercise price of C\$0.29 per share which vest over 24 months and have a term of 10 years; and granted 3,100,000 restricted share units ("RSU"), which vest over 24 months. Each vested RSU entitles the holder to receive one common share of the Company.