



The following discussion is management's assessment and analysis of the results and financial condition of HIVE Blockchain Technologies Ltd. ("HIVE" or the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and notes for the nine months ended December 31, 2018 as well as the consolidated financial statements and related notes for the year ended March 31, 2018. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") and all figures are reported in United States dollars unless otherwise indicated.

During the period ended September 30, 2017, the Company changed its presentation currency to the United States dollar ("USD" or "\$"). Accordingly, all comparative amounts have been presented in USD using the foreign exchange rate in effect at the date of the transactions. See Note 2 to the financial statements for further detail. This Management's Discussion & Analysis contains information up to and including February 28, 2019.

## **BUSINESS OVERVIEW**

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HIVE Blockchain Technologies Ltd. is a growth oriented, TSX Venture Exchange ("TSXV") listed company building a bridge from the blockchain sector to traditional capital markets. HIVE is strategically partnered with Genesis Mining Ltd. ("Genesis") to build the next generation of blockchain infrastructure by utilizing high efficiency computing power assets. HIVE owns state-of-the-art GPU-based digital currency mining facilities in Iceland and Sweden, which produce newly minted digital currencies like Ethereum continuously. HIVE also operates an additional 100 Petahash ("PH") of cloud-based ASIC mining. This also provides shareholders with exposure to the operating margins of digital currency mining which is currently the most profitable application of the Company's computing power. The Company is actively investigating other high efficiency computing applications, such as artificial intelligence and graphic rendering as well as private blockchain computing, which are becoming more widespread as the blockchain technology grows and develops.

The Company recognizes income from the provision of transaction verification services, known as 'cryptocurrency mining', for which the Company receives digital currencies and records them at their fair value on the date received. In May 2018, the Company completed the acquisition of land in Norway which provides the Company with access to competitive power supply as a platform for future growth of its computing capacity.

### **Quarterly Highlights – Third quarter December 31, 2018**

- Commenced mining of Bitcoin and mined 784 newly minted Bitcoin during the period ended December 31, 2018;
- Mined 28,343 newly minted Ethereum during the period ended December 31, 2018, as compared to second quarter production of 19,569 Ethereum representing an increase of 45% for the quarter;
- Generated income of \$8.4 million, with a gross mining margin loss<sup>1</sup> of \$2.2 million, from mining of digital currencies; and
- Incurred a net loss of \$36.4 million for the period.

On December 1, 2018 the Company launched the operation of an additional 100 PH of cloud-based ASIC mining bringing the Company's digital currency mining footprint to a total of 24.2 MW of GPU mining with 300 PH of ASIC capacity.

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<sup>1</sup> Gross mining margin is a non-IFRS measure; see Non-IFRS Measures for reconciliation

The Company is a reporting issuer in the provinces of British Columbia and Alberta and is listed for trading on the TSXV, under the symbol "HIVE.V", as well on the OTCQX, Berlin and Frankfurt OTC under "HVBTF", "HVB.B" and "HVB.F" respectively. The Company completed a Change of Business in September 2017, and concurrently changed its name from Leeta Gold Corp. to HIVE Blockchain Technologies Ltd. See 'Genesis Partnership' below for further details. The Company's registered address is 25<sup>th</sup> floor, 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

## DEFINED TERMS

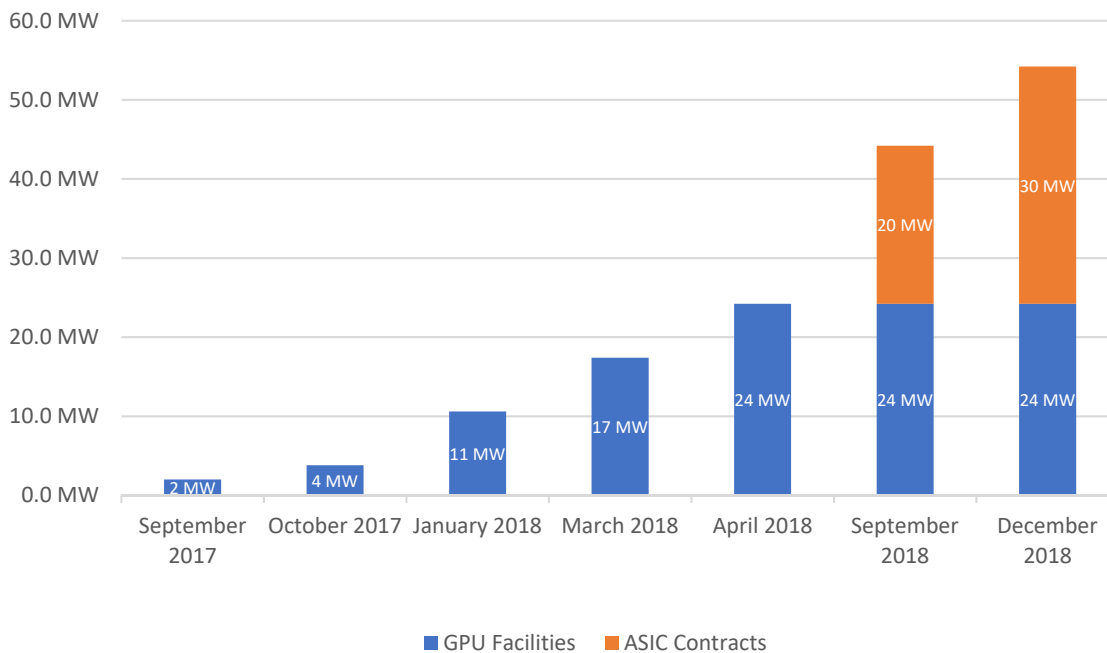
<b>ASIC:</b>	An ASIC (application-specific integrated circuit) is a microchip designed for a special application, such as a particular kind of transmission protocol or a hand-held computer. In the context of digital currency mining ASICs have been designed to solve specific hashing algorithms efficiently.
<b>Blockchain</b>	A Blockchain is an immutable public transaction ledger which records the financial transactions in cryptocurrency in chronological order.
<b>Bitcoin</b>	Bitcoin refers to the native token of the Bitcoin blockchain which utilizes the SHA-256 algorithm.
<b>Ether:</b>	Ether refers the native token of the Ethereum Network.
<b>GPU:</b>	A GPU or Graphics Processing Unit, is a programmable logic chip (processor) specialized for display functions. GPUs have proven to be efficient at solving digital currency hashing algorithms.
<b>Hashrate:</b>	Hashrate is a measure of mining power whereby the expected income from mining is directly proportional to a miners hashrate normalized by the total hashrate of the network.
<b>Mining:</b>	Mining refers to the provision of computing capacity to secure a distributed network by creating, verifying, publishing and propagating blocks in the blockchain.
<b>Network Difficulty:</b>	Network difficulty is a measure of how difficult it is to find a hash below a given target.
<b>Proof of Work:</b>	Under proof of work consensus miners performing computational work on the network update the ledger; miners are incentivized to protect the network and put forth valid transactions because they must invest in hardware and electricity for the opportunity to mine coins on the network. The success of a miner's business relies on the value of the currency remaining above the cost to create a coin.
<b>Proof of Stake</b>	Under proof of stake consensus stakers who have sufficiently large coin balances 'staked' on the network update the ledger; stakers are incentivized to protect the network and put forth valid transactions because they are heavily invested in the network's currency.
<b>Revaluation of Digital Currencies:</b>	Refers to the recognition of fair value adjustments to digital currency holdings based on available market prices at a point in time.
<b>SHA -256:</b>	SHA-256 is a cryptographic Hash Algorithm. A cryptographic hash is a kind of 'signature' for a text or a data file. SHA-256 generates an almost-unique 256-bit (32-byte) signature for a text. The most well-known cryptocurrencies that utilize the SHA-256 algorithm are Bitcoin and Bitcoin cash.

## OUTLOOK

HIVE continues to execute on its aggressive growth strategy to maintain its position as a market leader in the blockchain infrastructure industry with 24.2 MW of data centre equipment and 300 PH of cloud-based computing power for the period ended December 31, 2018.

HIVE's annualized run rate revenue<sup>2</sup> is estimated at \$33.9 million including 300 PH of SHA-256 ASIC expansion. The annualized run rate revenue is calculated strictly on the basis of value of the digital currency earned at the time of mining, and does not include any adjustment for revaluation gains or losses for digital currencies held after that date. The following chart shows the growth in HIVE's annualized run rate revenue for each phase of its 2018 expansion based on crypto prices and network assumptions as noted below

### Historical Mining Capacity



<sup>2</sup> Annualized run rate revenue is a non-IFRS measure; see Non-IFRS Measures for reconciliation

At full capacity of 24.2 MW for GPU mining, the following table shows the sensitivity of the annualized run rate revenue, assuming fixed daily Ethereum rewards of 13,330 Ethereum, and having variances in the price per Ethereum and network hashrate. Please note the below analysis assumes the Company's GPU miners are allocated 100% to Ethereum, although, the Company may mine other GPU-based digital currencies if they are considered to be more profitable over time. The Company is currently mining Ethereum and Ethereum Classic.

**Annualized Run-Rate Ethereum Revenue Sensitivity at Full Capacity (US\$M):**

		Ethereum Blockchain Network Hashrate (GH/s)							
		125,000	150,000	175,000	200,000	225,000	250,000	275,000	300,000
Ethereum Price (US\$)	\$ 100	\$ 13.6	\$ 11.3	\$ 9.7	\$ 8.5	\$ 7.6	\$ 6.8	\$ 6.2	\$ 5.7
	\$ 150	\$ 20.4	\$ 17.0	\$ 14.6	\$ 12.8	\$ 11.3	\$ 10.2	\$ 9.3	\$ 8.5
	\$ 200	\$ 27.2	\$ 22.7	\$ 19.4	\$ 17.0	\$ 15.1	\$ 13.6	\$ 12.4	\$ 11.3
	\$ 250	\$ 34.0	\$ 28.3	\$ 24.3	\$ 21.3	\$ 18.9	\$ 17.0	\$ 15.5	\$ 14.2
	\$ 300	\$ 40.8	\$ 34.0	\$ 29.2	\$ 25.5	\$ 22.7	\$ 20.4	\$ 18.6	\$ 17.0
	\$ 350	\$ 47.6	\$ 39.7	\$ 34.0	\$ 29.8	\$ 26.5	\$ 23.8	\$ 21.6	\$ 19.8
	\$ 400	\$ 54.4	\$ 45.3	\$ 38.9	\$ 34.0	\$ 30.2	\$ 27.2	\$ 24.7	\$ 22.7
	\$ 450	\$ 61.2	\$ 51.0	\$ 43.7	\$ 38.3	\$ 34.0	\$ 30.6	\$ 27.8	\$ 25.5
	\$ 500	\$ 68.0	\$ 56.7	\$ 48.6	\$ 42.5	\$ 37.8	\$ 34.0	\$ 30.9	\$ 28.3

Assuming full capacity of 300 PH<sup>3</sup> for SHA-256 ASIC mining, the following table shows the sensitivity of the annualized run rate revenue, assuming fixed daily Bitcoin rewards of 1,850 Bitcoin (approximately \$7.2 million), and having variances in the price per Bitcoin and network hashrate. Please note the below analysis assumes the Company's SHA-256 ASIC mining capacity would be allocated 100% to Bitcoin, although, the Company could mine other SHA-256 ASIC-based digital currencies if they are considered to be more profitable over time.

**Annualized Run-Rate Bitcoin Revenue Sensitivity at Full Capacity (US\$M):**

		Bitcoin Blockchain Network Hashrate (PH/s)							
		30,000	35,000	40,000	45,000	50,000	55,000	60,000	65,000
Bitcoin Price (US\$)	\$ 3,000	\$ 13.6	\$ 11.3	\$ 9.7	\$ 8.5	\$ 7.6	\$ 6.8	\$ 6.2	\$ 5.7
	\$ 3,500	\$ 20.4	\$ 17.0	\$ 14.6	\$ 12.8	\$ 11.3	\$ 10.2	\$ 9.3	\$ 8.5
	\$ 4,000	\$ 27.2	\$ 22.7	\$ 19.4	\$ 17.0	\$ 15.1	\$ 13.6	\$ 12.4	\$ 11.3
	\$ 4,500	\$ 34.0	\$ 28.3	\$ 24.3	\$ 21.3	\$ 18.9	\$ 17.0	\$ 15.5	\$ 14.2
	\$ 5,000	\$ 40.8	\$ 34.0	\$ 29.2	\$ 25.5	\$ 22.7	\$ 20.4	\$ 18.6	\$ 17.0
	\$ 5,500	\$ 47.6	\$ 39.7	\$ 34.0	\$ 29.8	\$ 26.5	\$ 23.8	\$ 21.6	\$ 19.8
	\$ 6,000	\$ 54.4	\$ 45.3	\$ 38.9	\$ 34.0	\$ 30.2	\$ 27.2	\$ 24.7	\$ 22.7
	\$ 6,500	\$ 61.2	\$ 51.0	\$ 43.7	\$ 38.3	\$ 34.0	\$ 30.6	\$ 27.8	\$ 25.5
	\$ 7,000	\$ 68.0	\$ 56.7	\$ 48.6	\$ 42.5	\$ 37.8	\$ 34.0	\$ 30.9	\$ 28.3

Beyond HIVE's announced expansion plans, the Company is actively exploring additional opportunities.

<sup>3</sup> Estimated at 30.0 MW of equipment for sensitivity analysis purposes

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## **GENESIS PARTNERSHIP**

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The Company entered into an exclusive partnership with Genesis in September 2017 (see 'Genesis Transaction' below) and Genesis is a significant shareholder of HIVE, holding 24.65% on a non-diluted basis as at December 31, 2018, (26.32% as of the date of this Management's Discussion & Analysis) with 77,412,655 shares (85,730,145 as of the date of this Management's Discussion and Analysis) and 2,770,560 warrants at an exercise price of C\$3.90 expiring November 14, 2019. Genesis is a world leader in cryptocurrency mining hashpower services, and through this partnership the Company is able to leverage Genesis' operating and technical experience as well as procurement power to develop new facilities and identify other Blockchain related business opportunities.

- *Genesis Transaction*

In September 2017, the Company completed its transaction with Genesis whereby the Company acquired a digital currency mining data centre in Reykjanes, Iceland from Genesis, as well as entered into certain other agreements with Genesis (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.

Pursuant to the terms of the Transaction Agreement, the Company issued to Genesis 67,975,428 common shares, representing 30% ownership in the Company at the time, valued at \$16.3 million. In conjunction with the Genesis Transaction, the Company also paid transaction costs of \$583,765 and issued a finders' fee of 3,398,771 common shares with a value of \$817,012, for total transaction costs of \$1.4 million.

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 minimum period of two years.

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 \$9.0 million; and pursuant to the terms of the Master Services Agreement and supplemental service orders the Company initially agreed to pay a monthly fee to Genesis for the maintenance and operation of the computing equipment at each location.

The Company recorded a one-time, non-cash charge of \$17.7 million as consideration for strategic relationship with Genesis as management determined that these costs did not meet the accounting definition of an asset due to a lack of control. See Note 6 to the annual financial statements for the year ended March 31, 2018 which discuss the significant estimates and assumptions surrounding the accounting treatment. Accordingly, these costs have been expensed through profit and loss.

The initial equipment acquired at the Iceland Data Centre has a capacity of 2.05 MW and consists of approximately 2,300 GPU based mining rigs.

- *Iceland Phase 2*

In October 2017, the Company acquired the second phase of digital currency mining rigs at the Iceland Data Centre from Genesis for total consideration (including transaction costs) of \$7.3 million, consisting of the issuance of 2,040,000 common shares valued at \$3.2 million, and \$4.1 million of cash costs. This expansion added an additional 1.75 MW and 2,100 GPU mining rigs, for a total capacity of 3.8 MW as of December 31, 2017.

- *Sweden Expansion*

In November and December 2017, the Company entered into agreements with Genesis to expand into Sweden, for a total of 20.4 MW of GPU mining rigs.

The GPU expansion of 20.4 MW was delivered in three phases of 6.8 MW each, with delivery on January 15, 2018, March 28, 2018 and April 30, 2018. The cost of each phase was \$22.0 million, for a total cost of \$66.0 million, which was advanced in Q4 2018. As at March 31, 2018, \$44.0 million of the advances were reclassified to data centre equipment as these phases were put into production. The remaining \$22.0 million was reclassified into data centre equipment when it commenced operations on April 30, 2018.

A continuity of the payments, start date, phases, and capacity is detailed below:

<b>Facility</b>	<b>Commencement date</b>	<b>Purchase price</b>
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
Cloud - SHA 256	September 2018	34,000,000
<b>Total</b>		<b>\$ 116,284,690</b>

- *SHA-256 ASIC Capacity*

The SHA-256 ASIC expansion of 200 PHs 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 December 2017 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 to twenty-four months. The amendment allows for lower operation costs than was previously expected of taking delivery of the miners in Sweden and gives the Company flexibility to install the future delivery of the mining rigs in a region of their choice, which is anticipated to be in North America; it also ensures the Company will continue to get the equivalent economic benefit of 200 PHs as compared to taking physical delivery on September 30, 2018. The SHA-256 capacity will enable the Company to further diversify its operations, with the capability to mine Bitcoin and Bitcoin cash. As at December 30, 2018, the Company has advanced \$22,000,000 towards this mining capacity.

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.

On December 1, 2018 the Company launched the operation of an additional 100 PH of cloud-based ASIC mining bringing the Company's digital currency mining footprint to a total of 24.2 MW of GPU mining with 300 PH of ASIC capacity.



## NORWAY ACQUISITION

In May 2018 the Company acquired Liv Eiendom AS ("Liv Eiendom") and Kolos Norway AS ("Kolos") for total consideration of \$12.7 million as detailed below (the "Norway Acquisition"). The acquisition includes a 64-hectare property in Ballangen, Norway and provides the Company with a significant flexibility for future scaling and growth. The property provides the Company with access to low-cost power in a cold climate, sourced from green and renewable energy sources.

Management is continuing to engage local authorities and energy providers to assist in the development and construction of a facility in Ballangen. The development of the property is expected to occur in stages as management continues to monitor the markets and develop a facility that will serve as the infrastructure for not only blockchain but other high efficiency computing applications.

<b>Consideration:</b>	
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
	<b>12,689,699</b>
<b>Net assets of Norway Acquisition:</b>	
Cash	25,193
Land	15,412,793
Other receivables	2,794
Loans payable	(2,751,081)
	<b>\$ 12,689,699</b>

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

As a result of these recent proposed changes on December 20, 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 the Company's sole Norwegian asset. The Company is committed to working with the local Ballangen municipality and all stakeholders to reach an agreement that is in the best interests of all of the Company's stakeholders.

## OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

For the 3 month period ended December 31, 2018, HIVE's gross mining margin loss was 27%. Third quarter income from digital currency mining was produced from an average of 24.2 MW of GPU production capacity, and 234 PH of Cloud Mining capacity as at December 31, 2018. Below is an analysis of the Company's income and gross mining margin:

	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Income from digital currency mining	\$ 8,449,545	\$ 6,523,217	\$ 17,183,881	\$ 9,636,390
Operating and maintenance	(10,694,763)	(4,660,473)	(8,879,956)	(1,992,105)
Depreciation	(9,392,790)	(5,142,789)	(9,827,245)	(2,163,625)
	(11,638,008)	(3,280,045)	(1,523,320)	5,480,660
Gross mining margin	(2,245,218)	1,862,744	8,303,925	7,644,285
Gross mining margin % (1)	(27%)	29%	48%	79%
Gross margin %	(138%)	(50%)	(9%)	57%
Revaluation (loss) gain of digital currencies (2)	(4,602,879)	(7,832,211)	(9,169,129)	(7,638,835)
(Loss) gain on sale of digital currencies	(1,825,637)	(1,161,385)	(1,099,713)	18,973
SBC	(531,587)	(160,361)	(258,362)	(283,356)
Impairment	(15,967,785)	(14,746,420)		
General Expenses	(1,862,968)	(1,091,681)	(18,855,224)	(2,708,801)
Finance income (expense)	4,886	22,052	(16,742)	168,490
Tax (expense) recovery	-	-	(50,000)	258,000
Net (loss) income from continuing operations	\$ (36,423,978)	\$ (28,250,051)	\$ (30,972,490)	\$ (4,704,869)
EBITDA (3)	\$ (27,036,074)	\$ (23,129,314)	\$ (21,078,503)	\$ (2,967,734)
Adjusted EBITDA (3)	\$ (5,933,823)	\$ (390,322)	\$ (11,651,012)	\$ 4,954,457

- (1) Gross mining margin equates to income from digital mining less operating and maintenance costs and is a non-IFRS measure; see Non-IFRS Measures for reconciliation
- (2) Revaluation is calculated as the change in value (gain or loss) on the coin inventory. When coins are sold, the net difference between the proceeds and the carrying value of the digital currency (including the revaluation), is recorded as a gain (loss) on the sale of digital currencies
- (3) EBITDA and Adjusted EBITDA are non-IFRS measures; see Non-IFRS Measures for reconciliation



The Company's income from digital mining is dependent on the market price of the digital currencies at the time of mining. The average monthly Ethereum market data from the commencement of digital currency mining in April 2018 to December 31, 2018 was as follows:

<b>Ethereum</b>	<b>April 2018</b>	<b>May 2018</b>	<b>June 2018</b>	<b>July 2018</b>	<b>August 2018</b>
Average price	\$ 521.10	\$ 678.80	\$ 520.53	\$ 463.33	\$ 322.05
Average daily block rewards	20,435	20,606	20,574	20,498	20,457
Average daily hashrate	257,121	270,392	275,003	283,806	286,474
<b>Ethereum</b>	<b>September 2018</b>	<b>October 2018</b>	<b>November 2018</b>	<b>December 2018</b>	<b>Average YTD 2019</b>
Average price	\$ 227.46	\$ 209.96	\$ 169.05	\$ 109.00	\$ 357.92
Average daily block rewards	20,412	20,380	20,145	19,316	20,314
Average daily hashrate	262,611	255,851	228,939	177,615	255,313

Sources: *Coinmarketcap.com, Etherscan.io*

Total assets decreased to \$99.7 million as at December 31, 2018 from \$161.4 million at March 31, 2018, primarily due to an impairment charge of the Company's data centre equipment of \$29.8 million, and the receipt of \$25.0 million of VAT from Sweden in the first half of the year. The significant assets consist of cash of \$6.3 million, digital currencies of \$10.4 million, a deposit of \$22.0 million, the data centre equipment in Iceland and Sweden of \$44.8 million and land of \$15.4 million.

Total liabilities decreased to \$5.7 million as at December 31, 2018 from \$10.3 million as of March 31, 2018 primarily due to payment of VAT payable of \$8.5 million related to the acquisition of the Sweden GPU Data Centre. In relation to the Norway Acquisition, the Company assumed loans payable with a balance of \$2.8 million.

### **RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**

During the three month period ended December 31, 2018, the Company recorded a net loss before tax of \$32.8 million (2017 income – \$0.6 million).

**Income:**

- Income of \$8.4 million from the mining of digital currencies, including over 28,300 Ethereum, 29,100 Ethereum Classic and 785 Bitcoin;
- Revaluation losses were \$4.6 million for the digital currencies held at period end; as a result of marking to market the Company's digital currencies held in inventory to the December 31, 2018 prices, being \$133 for Ethereum, \$5 for Ethereum Classic and \$3,742 for Bitcoin; and
- The Company continued to sell digital currencies and received cash proceeds of \$2.9 million during the three month period ended December 31, 2018; the Company recognized a loss on sale of \$1.8 million in relation to the sale of digital currencies with a cost base of \$4.7 million.

**Operating Expenses:**

- Operating and maintenance costs were \$10.7 million consisting of fees paid to Genesis under the Master Services Agreement, which includes electricity, daily monitoring and maintenance, facility costs and all other costs directly related to the maintenance and operation of the data centre equipment and servicing under the cloud mining contract (see below for further detail); and
- Depreciation and amortization of \$6.6 million being straight line depreciation of the data centre equipment over an expected life of four years and straight line amortization of the ASIC 200 PH cloud agreement over the 2 year life of the agreement.

**General and Administrative Expenses:**

- Management fees, salaries, and wages of \$281,280 relating to head office and overseas management, and director fees;
- Marketing and branding fees of \$174,893 in relation to marketing programs carried out concurrent with the ongoing branding of the Company's business;
- Office and administration expenses of \$154,779 relating to general corporate expenditures for the Company's offices in Vancouver and Zug;
- Professional fees, advisory and consulting of \$235,833 consisting of legal, auditing and tax fees indirectly related to the Company's current and future growth plans and consulting fees in relation to corporate development and strategy services; and
- Travel expenses of \$120,871 incurred for visits to current and future sites and corporate development, to support the Company's growth plans as well as oversee current operations.

**Other Expenses:**

- Impairment charge of \$15.1 million related to GPU data centre equipment in Iceland and Sweden;
- Loss on foreign exchange of \$895,312 relating to the impact of exchange rate fluctuations; and
- Share-based compensation of \$531,587 in relation to the vesting of stock options.

**RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED DECEMBER 31, 2018**

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During the nine month period ended December 31, 2018, the Company recorded a net loss before tax of \$63.7 million (2017 – \$19.2 million). The results for the nine month period ended December 31, 2018 are not comparable to the prior year given the Company's Change of Business in September 2017.

**Income:**

- Income of \$25.6 million from the mining of digital currencies, including over 65,000 Ethereum, 82,000 Ethereum Classic and 785 Bitcoin;
- Revaluation losses were \$13.8 million for the digital currencies held at period end; as a result of marking to market the Company's digital currencies held in inventory to the December 31, 2018 prices, being \$133 for Ethereum, \$5 for Ethereum Classic and \$3,742 for Bitcoin; and
- The Company continued to sell digital currencies and received cash proceeds of \$6.3 million during the nine month period ended December 31, 2018; the Company recognized a loss on sale of \$2.9 million in relation to the sale of digital currencies with a cost base of \$9.2 million.

**Operating Expenses:**

- Operating and maintenance costs were \$19.6 million consisting of fees paid to Genesis under the Master Services Agreement, which includes electricity, daily monitoring and maintenance, facility costs and all other costs directly related to the maintenance and operation of the data centre equipment and servicing under the cloud mining contract (see below for further detail); and
- Depreciation of \$16.5 million being straight line depreciation of the data centre equipment over an expected life of four years and straight line amortization of the ASIC 200 PH cloud agreement over the 2 year life of the agreement.

***General and Administrative Expenses:***

- Management fees, salaries, and wages of \$800,607 relating to head office and overseas management, and director fees;
- Marketing and branding fees of \$647,050 in relation to marketing programs carried out concurrent with the ongoing branding of the Company's change of name and business;
- Office and administration expenses of \$557,435 relating to general corporate expenditures for the Company's offices in Vancouver and Zug;
- Professional fees, advisory and consulting of \$795,583 consisting of legal, auditing and tax fees indirectly related to the Company's current and future growth plans and advisory and consulting fees in relation to corporate development and strategy services; and
- Travel expenses of \$425,187 incurred for visits to current and future sites and corporate development, to support the Company's growth plans as well as oversee current operations.

***Other Expenses:***

- Impairment charge of \$29.8 million related to data centre equipment in Iceland and Sweden;
- Loss on foreign exchange of \$2.7 million primarily relating to the impact of exchange rate fluctuations during the remittance and receipt of \$25.0 Million VAT paid in Sweden; and
- Share-based compensation of \$789,949 in relation to the vesting of stock options.

Operating and maintenance costs paid to Genesis include electricity, facility rental, internet supply, on site labour, security, remote monitoring and other services, with a guaranteed uptime of 93% on its GPU mining operations. Pursuant to the agreements with Genesis, the Company is also entitled to a one year warranty on all of its rigs, which includes periodic replacement of GPU cards, and accordingly, the Company has spent \$nil to date on replacement and upkeep of its mining rigs.

The Company continues to ramp up the sales of its digital currencies into US dollars, receiving cash proceeds of \$2.9 million during the three months ended December 31, 2018. The Company's sales are managed daily and sold through recognized crypto-exchanges. The Company carefully manages digital currencies and cash held at crypto-exchanges, minimizing the balances held on these platforms. Funds received from crypto-exchanges are sent in tranches to the Company's banking partners and to date, all of the Company's liquidation activities have been executed in normal course of operations.

Electricity is one of the most significant cost elements in running a digital mining operation; in addition to access to inexpensive power costs, optimal performance is achieved through stable, consistent supply of electricity. The Company is careful to ensure its underlying power supply is not subject to fluctuations in a specific grid, as this erratic supply does not lend itself to efficient computing, even if cheap rates can be obtained for temporary consumption of oversupply. The agreement with Genesis for guaranteed consistent uptime also helps mitigate the Company's operational risk.

Commencing on October 1, 2018 the Company commenced mining Bitcoin through the 200 PH cloud mining agreement and then increasing that capacity by 50% to 300 PH on December 1, 2018.

## SUMMARY QUARTERLY RESULTS

The following tables summarize the Company's financial information for the last eight quarters in accordance with IFRS:

	Q3 2019	Q2 2019	Q1 2019	Q4 2018
	\$	\$	\$	\$
Income	8,449,545	6,523,217	10,660,664	9,636,390
Net income (loss)	(36,423,978)	(28,250,051)	(2,722,439)	(4,704,869)
Basic and diluted income (loss) per share	(0.12)	(0.09)	(0.01)	(0.02)

	Q3 2018	Q2 2018**	Q1 2018*	Q4 2017
	\$	\$	\$	\$
Income	3,274,186	170,819	-	-
Net income (loss)	149,724	(20,257,911)	(28,603)	(16,228)
Basic and diluted income (loss) per share	-	(0.20)	-	-

The above table has been restated in US dollars as a result of the Company's change in its presentation currency. There is an increase in expenses in the Q2 2018 period as a result of the Company's Change of Business, the expensing of consideration for the strategic relationship with Genesis and resulting increase in operations.

The above quarterly figures include reclassifications for the following:

(\*) The Company originally recorded the write-off of accounts payable through profit or loss for the three months ended June 30, 2017, and has restated its results for this period by increasing the net loss for the period by \$1.4 million.

(\*\*) The reclassification of \$1.4 million of transaction costs for the Genesis Transaction from share capital to profit and loss in connection with consideration for strategic relationship with Genesis for the quarter ended September 30, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

The Company commenced earning income from digital currency mining in mid-September 2017, however it has limited history and no assurances that historical performance will be indicative of future performance. The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent on the Company's ability to efficiently mine and liquidate digital currencies.

As at December 31, 2018, the Company had a working capital balance of \$12.0 million (March 31, 2018 – \$38.1 million) and currently has sufficient cash to fund its current operating and administrative costs.

The net change in the Company's cash position as at December 31, 2018 as compared to March 31, 2018 was a decrease of \$8.4 million as a result of the following cash flows:

- Cash used in operations of \$1.6 million, primarily due to the change of \$24.7 million in amounts receivables and prepaid expenses, primarily for VAT sales taxes receivable in relation to the purchase of data centre equipment;
- Cash used in investing activities of \$7.3 million, consisting of the cash consideration paid to acquire land in Norway (as part of the Norway acquisition); and
- Cash provided by financing activities of \$355,184, largely due to the exercise of stock options and warrants.

## OUTSTANDING SHARE DATA

As December 31, 2018 and at the date of this report, the following securities were outstanding:

Total Outstanding as of:	December 31, 2018	Date of this report:	Exercise price range:
Shares outstanding	314,008,136	325,675,626	
Stock options	23,666,952	20,316,952	C\$0.30 - C\$2.00
Warrants	50,080,150	50,080,150	C\$1.24 - C\$3.90

There are TSXV restrictions on resale on certain shares, as detailed in the Company's Filing Statement dated September 13, 2017 filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has presented certain non-IFRS measures in this document. The Company believes that these measures, while not a substitute for measures of performance prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

As the Genesis Transaction closed in September 2017, these measures are not available or meaningful for periods prior to this date.

### *Gross Mining Margin:*

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, it is helpful to investors to use the gross mining margin to evaluate the Company's performance and ability to generate cash flows and service debt. The Gross mining margin is defined as the income from the mining of digital currencies less direct cash costs, being operating and maintenance costs. Accordingly, this measure does not have a standard meaning and is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides illustration of the calculation of the gross mining margin for the three months ended December 31, 2018, September 30, 2018, June 30, 2018 and March 31, 2018, all periods in which the Company was operating its digital currency mining facilities:

Calculation of Gross Mining Margin:	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Income (Note 1)	\$ 8,449,545	\$ 6,523,217	\$ 10,660,664	\$ 9,636,390
Less:				
Operating and maintenance costs:	(10,694,763)	(4,660,473)	(4,219,483)	(1,992,105)
<b>Gross Mining Margin</b>	<b>\$ (2,245,218)</b>	<b>\$ 1,862,744</b>	<b>\$ 6,441,181</b>	<b>\$ 7,644,285</b>
<b>Gross Mining Margin %*</b>	<b>(27%)</b>	<b>29%</b>	<b>60%</b>	<b>79%</b>

(1) As presented on the statements of loss and comprehensive loss.

*Annualized Run Rate Revenue:*

The Company uses the annualized run rate revenue to provide a measure of the financial performance of the Company using current financial information at a point in time. The annualized run rate revenue is a snapshot of the Company's potential income from digital mining extrapolated over a period of one year, based on current assumptions as stated. The Company is not making projections on the future digital currency prices, network hashrates and network mining rewards and the annualized run rate revenue is not necessarily indicative of the Company's future earnings. The network hashrate is the measuring unit of the processing power of the entire network for a specific algorithm (for example, Bitcoin or Ethereum). The daily network mining rewards are the total daily rewards issued for the blocks solved that day; daily network rewards are fixed based on the specific algorithm.

Actual results will vary based on change in these assumptions. Below is an analysis of the previously disclosed annualized run rate revenue as of August 27, 2018 in our Management's Discussion & Analysis for the first quarter ended June 30, 2018 and as of November 27, 2018 on our Management's Discussion & Analysis for the second quarter ended September 30, 2018, as compared to the figures presented under "Outlook" as of February 28, 2019:

	<b>As of August 27, 2018</b>	<b>As of November 27, 2018</b>	<b>As of February 28, 2019</b>
Annualized Run-Rate Revenue Total	\$45 million	\$33 million	\$33.9 million
Ethereum Price	\$300	\$125	\$140
Ethereum Daily Network Hash Rate	285,000 GH/s	215,752 GH/s	150,000 GH/s
Total Daily Ethereum Rewards	20,330 Ethereum	20,500 Ethereum	13,300 Ethereum
Bitcoin Price	\$6,400	\$5,400	\$3,900
Bitcoin Daily Network Hash Rate	50,000 PH/s	40,350 PH/s	42,000 PH/s
Total Daily Bitcoin Rewards	2,050 Bitcoin	2,050 Bitcoin	1,850 Bitcoin

The above assumptions are based on the actual market data at the time – the above variances from the calculation of the annualized run-rate revenue at August 27, 2018, November 27, 2018, and February 28, 2019 are based on the changes in the Ethereum and Bitcoin markets. See "Overall Performance & Results of Operations" for the actual average monthly Ethereum market data for the period from April 2018 to December 2018.

*EBITDA & Adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)*

The Company uses EBITDA and Adjusted EBITDA as a metric that is useful for assessing its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

EBITDA is net income or loss from operations, as reporting in profit and loss, before finance income and expense, tax and depreciation and amortization.

Adjusted EBITDA is EBITDA adjusted for removing other non-cash items, including share-based compensation, impairment charges, non-cash effect of the revaluation of digital currencies and one time transactions, being the consideration for the strategic relationship with Genesis for the periods presented.

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## **RELATED PARTY TRANSACTIONS**

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The Company had the following related party transactions not otherwise disclosed in this MD&A:

- (a) As at December 31, 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 \$122,963 (March 31, 2018 – \$125,396) due to directors for the reimbursement of expenses included in accounts payable and accrued liabilities.
- (b) For the three month period ended December 31, 2018 operating and maintenance costs of \$10.7 million (December 31, 2017 - \$891,499) 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, 2018, key management compensation includes salaries and wages paid to key management personnel and directors of \$320,270 (December 31, 2017 - \$66,411) and share based payments of \$593,274 (December 31, 2017 - \$1,741,401).

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## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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The Company has prepared the consolidated financial statements in accordance with IFRS. Significant accounting policies are described in Note 5 of the Company's financial statements as at and for the year ended March 31, 2018.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

The Company's significant judgements are detailed in Note 3 to the unaudited condensed interim consolidated financial statements for the period ended December 31, 2018 and include: functional currency, classification of digital currencies as current assets, asset acquisitions, and income from digital currency mining.

The Company's significant estimates are detailed in Note 4 to the unaudited condensed interim consolidated financial statements for the period ended December 31, 2018 and include: determination of asset fair values and allocation of purchase consideration, carrying value of assets, depreciation, deferred taxes, digital currency valuation and share-based compensation.

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## **CHANGES IN ACCOUNTING POLICIES**

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### 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.

**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. 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

#### 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 December 31, 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.

### **FINANCIAL INSTRUMENTS AND FINANCIAL 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 in Note 19 to the unaudited condensed interim consolidated financial statements for the nine months ended December 31, 2018.

### **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. See “*Overall Performance & Results of Operations*” which shows the monthly average market data for Ethereum from the commencement of HIVE’s operations in September 2017 to December 2018. 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 and Bitcoin. The table below shows the impact of the 25% variance in the price of each of these digital currencies on the Company’s earnings before tax, based on their closing prices at December 31, 2018.

	Impact of 25% variance in price	
Ethereum	\$	1,988,113
Ethereum Classic		139,885
ZCash		3,353
Bitcoin		476,259

## **RISKS AND UNCERTAINTIES**

The Company faces a number of risks that are related to both the general cryptocurrency business as well as the Company’s business model. The risk factors described below summarize and supplement the risk factors contained in the Company’s filing statement dated September 13, 2017 (the “Filing Statement”) and subsequent continuous disclosure filings, all of which are available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be read in conjunction with the more detailed risk factors outlined in the Filing Statement and subsequent continuous disclosure filings.

The Company is at risk due to the volatility/momentum pricing of any underlying digital currency mined by the Company and held in inventory – wide fluctuations in price, speculation, negative media coverage (highlighting for example, regulatory actions and lawsuits against industry participants) and downward pricing (and in particular Ethereum, Bitcoin and Bitcoin Cash) may adversely affect investor confidence, and ultimately, the value of the Company’s digital currency inventory which may have a material adverse affect on the Company, including an adverse effect on the Company’s profitability from current assets in Iceland, Sweden, and SHA-256 cloud mining operations with Genesis. The Company is also at risk due to the volatility of network hashrates (and lag between network hashrate and underlying cryptocurrency pricing), which may have an adverse effect on the Company’s costs of mining. The Company is also at risk due to volatility in energy (electricity) pricing, a key factor in the Company’s profitability of its mining operations, which is subject to, among other things, government regulation and natural occurrences (for example, a heat wave in Sweden) which affect pricing.

The Company holds its digital currencies in cold storage solutions not connected to the internet. The Company may not be able to liquidate its digital currency inventory at economic values, or at all. Due to the newness of the industry, the Company may have restricted access to services available to more mainstream businesses (for example, banking services), and the general acceptance and use of digital currencies may never gain widespread or significant acceptance, which may materially adversely affect the value of the Company’s digital currency inventory and long term prospects of current operations.

An additional risk to the Company arises as a result of the potential shift from the use of a proof of work validation model by the Ethereum network to a proof of stake model. The current proposal for Ethereum’s shift to proof of stake has a number of unknown variables, including uncertainty over timing, execution and ultimate adoption; and there is not yet a definitive plan that is established and approved. As a result of these uncertainties, the Company cannot estimate the impact of a potential change to proof of stake on operations, but may see its competitive advantages decrease over time; this may have a material adverse effect on the Company.

The Company also faces risk relating to the impact of the timing and exchange rate fluctuations resulting from the remittance and receipt back of value added taxes where due.



The acquisition of Kolos may not result in the construction or completion of an additional data centre as currently anticipated, or at all, and may ultimately have no commercial benefit to the Company, particularly in light of the Norwegian Parliament's December 2018 approval of a legislative bill that cryptocurrency miners will no longer be subject to tax relief on power consumption at the same rate as other power-intensive industries. Additionally, the Company's current negotiations with debt holders associated with the Kolos Norway acquisition may not result in an extension of the convertible loan.

The Company may be required to sell its digital currency inventory in order to pay for its ongoing expenses (and in particular, expenses to maintain the Company's facilities and pay ongoing cloud agreement fees), and such sales may not be available at economic values. The Company has only been able to insure its mined digital currency for an amount of \$1.0 million. Given the novelty of digital currency mining and associated businesses, insurance of this nature is generally not available, or uneconomical for the Company to obtain which leads to the risk of inadequate insurance cover. The occurrence of an event that is not covered or fully covered by the Company's existing insurance may have a material adverse affect on the Company. Additionally, while the Company takes measure to mitigate against losses of this nature, the Company's mined digital currency may be subject to loss, theft or restriction on access, including loss due to cybercrime (hacking).

In terms of regulatory risks, governments may take action in the future that prohibit or restrict the right to acquire, own, hold, sell, use or trade digital currencies or exchange digital currencies for fiat currency. Such restrictions, while impossible to predict, could result in the Company liquidating its digital currencies inventory at unfavorable prices which may have a material adverse affect on the Company. The Company has liquidated a portion of coins, partially in order to mitigate against the aforementioned risk.

#### **CAUTION REGARDING FORWARD LOOKING INFORMATION**

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This Management Discussion and Analysis contains certain "forward-looking information" within the meaning of Canadian securities legislation. Forward-looking information is based on the beliefs, estimates and opinions of the Company's management on the date the statements are made and they involve a number of risks and uncertainties. Consequently, there can be no assurances that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Forward-looking information in this Management Discussion and Analysis includes information about the Company's use and profitability of the Company's computing power; the Company's pursuit of other high efficiency computing applications (such as artificial intelligence, graphic rendering and private blockchain computing); the Company's plans to construct and develop computing capacity on its property in Norway, including access to a substantial amount of competitive power supply thereon; the Company's ongoing negotiations with debt holders associated with the Kolos acquisition; the Company's strategy to develop and operate data centres and potential growth of the Company's computing capacity; the delivery of SHA-256 ASIC mining equipment, including timing thereon; the Company's ongoing negotiations with debt holders associated with the Kolos acquisition; expected electrical and mining capacity; the value of the Company's digital currency inventory; the business goals and objectives of the Company, and other forward-looking information including but not limited to information concerning the intentions, plans and future actions of the Company.

The forward-looking information in this Management Discussion and Analysis reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. In connection with the forward-looking information contained in this Management Discussion and Analysis, the Company has made assumptions about the Company's partnership with Genesis; Genesis' ability to deliver SHA-256 ASIC mining equipment at the end of the cloud agreement; the Company's ability to develop computing capacity on its property in Norway; historical prices of digital currencies and the ability of the Company to mine digital currencies will be consistent with historical prices; and there will be no regulation or law that will prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.



This Management Discussion and Analysis also contains “financial outlook” in the form of annualized run rate revenues and gross mining margins, which are intended to provide additional information only and may not be an appropriate or accurate prediction of future performance, and should not be used as such. The annualized run rate revenues and gross mining margins disclosed in this Management Discussion and Analysis are based on the assumptions disclosed in this Management Discussion and Analysis, which assumptions are based upon management’s best estimates but are inherently speculative and there is no guarantee that such assumptions and estimates will prove to be correct.

Risk factors that could cause future results to differ materially from those anticipated in these forward-looking statements and financial outlook are described in the Risk Factors contained in this Management Discussion and Analysis, the Risk Factors contained the Company’s Filing Statement, and the other risk factors discussed in greater detail in the Company’s various filings on SEDAR ([www.sedar.com](http://www.sedar.com)). Readers are cautioned not to place undue reliance on forward-looking information or financial outlook, which speak only as of the date hereof. We undertake no obligation to publicly release the results of any revisions to forward-looking information or financial outlook that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events except as required by law.

### **MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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In connection with National Instrument (“NI”) 52-109 (Certification of Disclosure in Issuer’s Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).