# TAAL Distributed Information Technologies Inc.
# (formerly Squire Mining Ltd.)

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

# Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.4(3), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants (CPA) –Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**TAAL Distributed Information Technologies Inc.**
**(formerly Squire Mining Ltd.)**
**Condensed Interim Consolidated Statements of Financial Position**
(Stated in Canadian dollars)
(Unaudited – Prepared by Management)

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $13,191,533 | $15,622,778 |
| Accounts receivable | 471,587 | 2,219,781 |
| Other receivable | 300,512 | 314,085 |
| Receivable for terminated acquisition (Note 13) | 20,690,025 | 22,097,527 |
| Digital assets (Note 5) | 3,736,659 | 49,401 |
| Prepaid expenses and other current assets | 2,081,568 | 3,884,539 |
| **Total current assets** | 40,471,884 | 44,188,111 |
| Equipment, net (Note 6) | 10,396,530 | 21,405 |
| Intangible assets, net (Note 7) | 2,496,863 | 2,566,912 |
| **Total assets** | $53,365,277 | $46,776,428 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Note 8) | $ 2,588,221 | $ 4,606,134 |
| Payable for terminated acquisition (Note 13) | 20,690,025 | 17,514,618 |
| Promissory note payable, net | 19,350 | 19,350 |
| **Total current liabilities** | 23,297,596 | 22,140,102 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 9) | 37,448,375 | 31,882,205 |
| Contributed surplus | 15,655,925 | 15,528,237 |
| Accumulated other comprehensive loss | 465,190 | (112,717) |
| Accumulated deficit | (23,413,327) | (22,690,186) |
| **Shareholders' equity attributed to owners of the Company** | 30,156,163 | 24,607,539 |
| **Non-controlling interest (Note 11)** | (88,482) | 28,787 |
| **Total shareholders' equity** | 30,067,681 | 24,636,326 |
| **Total liabilities and shareholders' equity** | $53,365,277 | $46,776,428 |

Subsequent events (Note 16)

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

**TAAL Distributed Information Technologies Inc.**
**(formerly Squire Mining Ltd.)**
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**
**For the three months ended March 31, 2020 and 2019**
(Stated in Canadian Dollar)
(Unaudited – Prepared by Management)

| | 2020 | 2019 |
|---|---|---|
| **Revenues** | | |
| Digital assets mined (Note 5) | $ 4,212,525 | $ - |
| Fleet management services | 1,630,602 | - |
| Software licensing | 125,377 | - |
| **Total revenues** | **5,968,504** | - |
| | | |
| **Cost of revenue** | | |
| Site operating costs | (4,457,943) | - |
| Depreciation and amortization | (155,146) | - |
| **Total cost of revenues** | **(4,613,089)** | |
| **Income before value adjustments** | **1,355,415** | - |
| Revaluation of digital assets (Note 5) | (1,818,152) | - |
| Gain on sale of digital assets (Note 5) | 141,985 | - |
| **Loss** | **(320,752)** | - |
| | | |
| **Operating expenses** | | |
| Office and administration | (197,116) | (51,078) |
| Regulatory | (36,107) | (6,346) |
| Investor relations | (31,431) | (1,656) |
| Management fees, salaries and wages | (651,470) | (312,499) |
| Professional fees | (493,935) | (493,526) |
| Share-based payments | (127,688) | (57,000) |
| Gain (loss) on foreign exchange | 1,104,465 | (697) |
| Travel and entertainment | (116,640) | (58,485) |
| **Total operating expenses** | (549,497) | (981,287) |
| **Loss from operations** | **(870,674)** | **(981,287)** |

**TAAL Distributed Information Technologies Inc.**
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**
**For the three months ended March 31, 2020 and 2019, continued**
(Stated in Canadian Dollar)
(Unaudited – Prepared by Management)

| | 2020 | 2019 |
|---|---|---|
| **Other income (expense):** | | |
| Share of loss on joint ventures | - | (135,362) |
| Loss on acquisition of joint venture | - | (84,361) |
| Gain on sale of marketable securities | - | 80,500 |
| Interest income | 30,264 | 88,733 |
| **Net loss** | **(840,410)** | **(1,031,777)** |
| | | |
| **Other comprehensive loss** | | |
| Foreign currency translation adjustment | 577,907 | (93) |
| **Total comprehensive loss** | **$ (262,503)** | **$(1,031,870)** |
| | | |
| **Net loss attributable to:** | | |
| Owners of the Company | (723,141) | (1,031,777) |
| Non-controlling interests | (117,269) | - |
| **Net loss** | **$ (840,410)** | **$(1,031,777)** |
| | | |
| **Comprehensive loss attributable to:** | | |
| Owners of the Company | (145,234) | (1,031,870) |
| Non-controlling interests | (117,269) | - |
| **Total comprehensive loss** | **$ (262,503)** | **$(1,031,870)** |
| | | |
| **Basic and diluted net loss per common share** | $ (0.06) | $ (0.08) |
| **Weighted average number of common shares outstanding** | 14,374,017 | 12,368,019 |

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

**TAAL Distributed Information Technologies Inc.**
**(formerly Squire Mining Ltd.)**
**Condensed Interim Consolidated Statements of Cash Flows**
**For the three months ended March 31, 2020 and 2019**
(Stated in Canadian Dollar)
(Unaudited – Prepared by Management)

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (840,410) | $(1,031,870) |
| Change in non-cash operating activities: | | |
| Share-based payments | 127,688 | 57,000 |
| Share of loss on joint ventures | - | 135,362 |
| Digital assets mined | (4,212,525) | - |
| Revaluation of digital assets | 1,818,152 | - |
| Gain on sale of digital assets | (141,985) | - |
| Loss on investment in joint venture | - | 84,574 |
| Depreciation and amortization | 155,146 | 211 |
| Gain on sale of marketable securities | - | (80,500) |
| Changes in working capital items related to: | | |
| Digital assets | 4,463,801 | - |
| Accounts receivable | 1,001,919 | (656) |
| Other receivable | 13,573 | - |
| Prepaid expenses | 1,802,971 | 20,078 |
| Accounts payable and accrued liabilities | (2,002,337) | 299,087 |
| Net cash provided (used) by (in) operating activities | 2,185,993 | (516,714) |
| **Cash flows from investing activities** | | |
| Sale of marketable securities | - | 292,200 |
| Repayment from joint venture | - | 667,400 |
| Acquisition of intangible assets | (69,858) | - |
| Purchase of equipment | (4,811,754) | (6,424) |
| Net cash provided (used) by (in) investing activities | (4,881,612) | 953,176 |
| **Cash flows from financing activities** | | |
| Options exercised | - | 42,220 |
| Net cash provided by financing activities | - | 42,220 |
| **Effects of foreign exchange on cash** | 264,374 | - |
| **(Decrease) increase in cash and cash equivalents** | (2,431,245) | 478,682 |
| **Cash and cash equivalents, beginning of the period** | 15,622,778 | 19,244,095 |
| **Cash and cash equivalents, end of the period** | $13,191,533 | $19,722,777 |

See Note 12 for supplemental non-cash cashflow information.

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

**TAAL Distributed Information Technologies Inc.**
**(formerly Squire Mining Ltd.)**
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**
**For the three months ended March 31, 2020 and 2019**
(Stated in Canadian Dollar)
(Unaudited – Prepared by Management)

| | Number of common shares | Number of non-voting shares | Share capital | Contributed surplus | Accumulated other comprehensive loss | Accumulated deficit | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance, January 1, 2019** | 12,345,517 | - | $30,568,172 | $ 1,589,717 | $ - | $(10,269,114) | $ - | $21,888,775 |
| Exercise of options | 28,147 | | 70,367 | (28,147) | - | - | - | 42,220 |
| Share-based payments | - | | - | 57,000 | - | - | - | 57,000 |
| Foreign currency translation adjustment | - | | - | - | (93) | - | - | (93) |
| Net loss for the period | - | | - | - | - | (1,031,777) | - | (1,031,777) |
| **Balance, March 31, 2019** | 12,373,664 | - | $30,638,539 | $ 1,618,570 | $ (93) | $(11,300,891) | $ - | $20,956,125 |
| | | | | | | | | |
| **Balance, January 1, 2020** | 13,822,998 | - | $31,882,205 | $15,528,237 | $ (112,717) | $(22,690,186) | $ 28,787 | $24,636,326 |
| Share-based payments | - | - | - | 127,688 | - | - | - | 127,688 |
| Foreign currency translation adjustment | - | - | - | - | 577,907 | - | - | 577,907 |
| Share settled for asset acquisition | - | 2,279,215 | 5,566,170 | - | - | - | - | 5,566,170 |
| Net loss | - | - | - | - | - | (723,141) | (117,269) | (840,410) |
| **Balance, March 31, 2020** | **13,822,998** | **2,279,215** | **$37,448,375** | **$15,655,925** | **$ 465,190** | **$(23,413,327)** | **$ (88,482)** | **$30,067,681** |

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

(Stated in Canadian dollars)

## 1. Nature of operations

Taal Distributed Information Technologies Inc. (formerly Squire Mining Ltd.) (the "Company") is a reporting issuer in the Canadian provinces of British Columbia, Alberta and Ontario whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "TAAL". The Company was incorporated under the Business Corporations Act (British Columbia) on March 23, 2011. On January 13, 2015 the Company changed its name from 0906251 B.C. Ltd. to Squire Mining Ltd. On December 11, 2019 the Company changed its name to TAAL Distributed Information Technologies Inc. The address of the Company's registered and records office is 595 Burrard St., Suite 2600, Vancouver, BC, V7X 1L3. From its incorporation to 2018, the Company was engaged primarily in the exploration of mineral resource properties. In August 2018, the Company completed a change of business and is now in the business of operating and managing blockchain infrastructure to solve complex computation problems to validate transactions on various blockchains.

## 2. Statement of compliance and basis of presentation

*(a) Statement of compliance*

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the presentation of interim financial statements including International Accounting Standards 34: Interim Financial Statements and follow the same accounting policies and methods of application as our most recent audited annual consolidated financial statements. Certain information and note disclosures, included in the audited annual consolidated financial statements, have also been omitted or condensed.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on June 17, 2020.

*(b) Consolidation*

These unaudited condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. As at March 31, 2020, the Company had five wholly owned subsidiaries and one majority owned subsidiary.

| Company Name | Country of Operation | Ownership Interest | Functional Currency |
|---|---|---|---|
| Arasystems Technology Corp. | Canada | 100% | Canadian dollar ("CAD") |
| Aracore Systems Technology Corp. | Canada | 75% | Canadian dollar ("CAD") |
| Freschette Limited | Antigua and Barbuda | 100% | U.S. Dollar ("USD") |
| Freschette (Kazakhstan) LLP | Republic of Kazakhstan | 100% | U.S. Dollar ("USD") |
| Taal Technologies SEZC | Cayman Islands | 100% | U.S. Dollar ("USD") |
| Taal Trading SEZC | Cayman Islands | 100% | U.S. Dollar ("USD") |

Any reference to "the Company" throughout these unaudited condensed interim consolidated financial statements refers to the Company and its subsidiaries.

## 2. Statement of compliance and basis of presentation, continued

*(c) Basis of presentation*

The unaudited condensed interim consolidated financial statements have been prepared in Canadian dollars on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

*(d) Going concern*

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharges its liabilities in the normal course of business as they come due in the foreseeable future.

These unaudited condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 3. Significant accounting policies, judgements, and estimates

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

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

*(a) Digital assets*

Management has elected to apply the IFRIC guidance, whereby the entity may act as a broker-trader of digital assets who under IAS 2 paragraph 3(b), measure their inventories at fair value less cost to sell.

Digital assets, considered a level 2 financial instrument, are initially recognized on the consolidated statements of financial position at fair value, which is determined using the closing price on the date of receipt, and subsequently remeasured at each reporting date to fair value. Management applies average costing to calculate gains and losses on digital assets. Unrealized gains and losses, as well as realized gains or losses on the sales of digital assets to cash are included in the profit and loss in accordance with the Company's treatment of its digital assets as an actively traded commodity.

The Company's determination to classify its digital assets as current assets on its consolidated statement of financial position is based on (a) management's internal decision to sell its digital assets for cash almost immediately after they have been earned and (b) management's assessment that its digital assets have available liquid markets to which the Company may sell such assets at any given time.

**3. Significant accounting policies, judgements, and estimates**, continued

*(b) Asset acquisitions*

At the time of acquisition, the Company determines whether what is acquired meets the definition of a business, in which case, the transaction is considered a business combination, and otherwise it is recorded as an asset acquisition. The Company also considers the option to identify concentration of fair value in an acquisition; identifying whether substantially all the fair value of gross assets acquired is concentrated in a single identifiable asset or group.

For an asset acquisition, the cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of purchase and acquisition related costs are capitalized. No goodwill is recorded and no deferred tax asset or liability arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

For a business combination, assets and liabilities assumed are generally measured at their acquisition-date fair values.

*(c) Intangible assets*

Intangible assets acquired are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses (if any). Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization expense of intangible assets with finite lives is included within the cost of revenue category, consistent with the nature of the intangible assets.

The following are used in the calculation of amortization

| Asset class | Amortization years |
| --- | --- |
| Software licenses | 5 |
| Domain names | 15 |

Residual values and useful lives of intangible assets are reviewed at each reporting date or whenever changes in circumstances occur. In addition, intangible assets are subject to impairment testing. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in operations.

*(d) Equipment*

Equipment acquired by the Company is initially recognized at its acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management. Equipment is subsequently measured at cost less accumulated depreciation and any impairment charges.

The cost of servicing and repairs are recognized in the consolidated statements of loss and comprehensive loss as an operating expense, as incurred. Subsequent costs are capitalized if it is probable that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statements of loss and comprehensive loss as an expense, as incurred.

**3. Significant accounting policies, judgements, and estimates**, continued

Depreciation commences when equipment is considered available for use. Depreciation is recognized in earnings or loss over the estimated useful lives of each part of an item of equipment and is in line with the pattern of use of the future economic benefits. Depreciation is computed on a straight-line basis and adjusted for any impairment and disposal charges.

The following rates are used in the calculation of depreciation and amortization:

| Asset class | Amortization years |
|---|---|
| Hashing rigs | 2 |
| Infrastructure | 2-3 |

An item of equipment and any significant parts initially recognized is derecognized upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on the disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of loss and comprehensive loss.

Depreciation methods, useful lives and residual values are reassessed each reporting date and any changes arising from the assessment are applied prospectively.

*(e) Functional currency translation*

In the Company's financial statements, all assets, liabilities and results from operations of subsidiaries with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation.

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Income and expenses have been translated into Canadian dollars at the average rate over the reporting period. Exchange differences are included in accumulated other comprehensive loss and recorded as foreign currency translation adjustments. On disposal of a foreign operation, the related foreign currency translation adjustments are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

*(f) Revenue from contracts with customers*

The Company recognizes revenue from the provision of transaction verification services within various SHA-256 blockchains, and as consideration for these services, the Company receives digital assets. Revenue is measured based on the fair value of the digital asset received.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital assets and management has exercised significant judgement in determining the appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings.

The Company measures revenue at the fair value of the consideration received, which is the market value of the digital assets (refer to Digital Asset Note 3(a)).

The Company generates revenue by licensing its software to third party and revenue is charged monthly as a percentage of digital assets generated by its cloud computing and pool management software. The services are delivered as the third party utilizes the Company's software to process transactions on the blockchains.

## 3. Significant accounting policies, judgements, and estimates, continued

The Company generates revenue from managing third party hashing rigs and revenue is charged per active rig under management during the period. The Company's management team utilizes its knowledge of this business and monitors and maintains fleets on behalf of the third parties to ensure they are operating effectively and efficiently. The Company currently manages a fleet for one group and also licenses its software to the same group, which is controlled by the related party.

*(g) Basic and diluted loss per share*

Basic loss per share for a given period is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

*(h) Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as deductions, net of tax, from the proceeds.

*(i) Share-based payments*

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Compensation expense on share purchase options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

All equity-settled share-based payments are reflected in contributed surplus until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with any consideration paid. If the options expire unexercised, the amount recorded remains in contributed surplus.

(Stated in Canadian dollars)

## 3. Significant accounting policies, judgements, and estimates, continued

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

*(j) Share-based payments for an asset acquisition*

The Company acquired a group of assets that do not compromise a business by issuing non-voting common shares. The identification of such transactions is within the scope of IFRS 2 – share based payments which requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The consideration paid will include issuance of common shares and transactions costs associated to the transaction. The equity settled share-based payment transactions are measured at the fair value of the goods received.

## 4. Asset acquisition

On March 10, 2020, the Company acquired over 50,000 non-operational hashing rigs located in the United States from companies affiliated with Calvin Ayre (the “Debenture Holder”). The Company intends to use the acquired hashing rigs to support its on-going operations and blockchain infrastructure to generate revenue.

The Company issued 2,279,215 non-voting participating shares of the Company for the hashing rigs and recorded the transaction at a fair-value of $5,566,170. The transaction was accounted for using IFRS 2 – Share based payments for an asset acquisition and was therefore treated as an asset acquisition for accounting purposes.

## 5. Digital assets

Below are the digital assets received and transacted:

| | | |
|---|---|---|
| Balance, December 31, 2019 | $ | 49,901 |
| Digital assets mined | | 4,212,525 |
| Digital assets received for terminated acquisition | | 4,582,909 |
| Digital assets received for services | | 746,275 |
| Digital assets traded for fiat currency | | (4,463,802) |
| Digital assets paid for services | | (15,576) |
| Revaluation of digital assets (i) | | (1,818,152) |
| Gain on sale of digital assets | | 141,985 |
| Foreign exchange translation | | 301,093 |
| Balance, March 31, 2020 | $ | 3,736,659 |

(i) Digital assets held are considered Level 2 financial instruments and re-valued mark-to-market each reporting period on the fair value price of digital assets as of the reporting date.

(Stated in Canadian dollars)

### 6. Equipment

| | Estimated useful life | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|---|
| Infrastructure | 2-3 years | $ | 29,605 | $ | 29,737 |
| Hashing rigs (i) | 2 years | | 10,377,924 | | 12,559,115 |
| | | $ | 10,407,529 | $ | 12,588,852 |
| Less: Impairment charges (ii) | | | - | | 5,840,057 |
| Less: Accumulated depreciation and amortization | | | 10,999 | | 6,727,390 |
| **Total equipment, net** | | $ | 10,396,530 | $ | 21,405 |

(i) See Note 4 as it pertains to as the addition to the hashing rigs relates to the hashing rigs acquisition.

### 7. Intangible assets

| | Estimated useful life | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|---|
| Software license | 5 years | $ | 2,920,468 | $ | 2,860,258 |
| Trademarks | 10 years | | 9,648 | | - |
| Domain names | 15 years | | 148,551 | | 135,693 |
| | | $ | 3,078,667 | $ | 2,995,951 |
| Less: Accumulated depreciation and amortization | | | 581,804 | | 429,039 |
| | | $ | 2,496,863 | $ | 2,556,912 |

### 8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consisted of the following:

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| Trade accounts payable | $ | 842,912 | $ | 3,018,017 |
| Accrued liabilities | | 1,745,309 | | 1,588,097 |
| | $ | 2,588,221 | $ | 4,606,134 |

(Stated in Canadian dollars)

**9. Share capital**

a) Authorized:

Unlimited common shares without par value.
Unlimited non-voting participating shares without par value.

b) Issued: As of March, 31, 2020, 13,822,998 (December 31, 2019: 13,822,998) common shares were issued and outstanding. As of March 31, 2020, 2,279,215 (December 31, 2019: nil) non-voting participating shares were issued and outstanding.

On December 9, 2019, the Company completed a 10:1 share consolidation of all its issued and outstanding common shares. All share and per share information included in these unaudited condensed interim consolidated financial statements reflect the 10:1 share consolidation.

During the period ended March 31, 2020, nil (March 31, 2019: 281,467) shares were issued for the exercise of options and warrants. For the period ended March 31, 2020, the total cash proceeds of $nil (2019: $42,220) has been received.

c) Stock options

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed five years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

A summary of the Company's share purchase options outstanding at March 31, 2019 and December 31, 2019 and changes are presented below:

| | Options | Weighted average exercise price | |
|---|---|---|---|
| Outstanding and exercisable at December 31, 2018 | 460,589 | $ | 3.30 |
| Expired | (312,443) | $ | 3.29 |
| Granted | 300,000 | $ | 2.89 |
| Exercised | (38,147) | $ | 1.50 |
| Outstanding at December 31, 2019 | 410,000 | $ | 3.13 |
| Expired | (40,000) | $ | 2.15 |
| Granted | 130,000 | $ | 2.13 |
| Outstanding at March 31, 2020 | 500,000 | $ | 2.95 |

(Stated in Canadian dollars)

**9. Share capital,** continued

As at March 31, 2020, share purchase options outstanding, detailed below, have a weighted average remaining contractual life of 3.79 years (December 31, 2019: 3.20 years).

| Expiry date | Exercise price | Outstanding | Vested and exercisable |
|---|---|---|---|
| August 10, 2020 | $ 4.00 | 30,000 | 30,000 |
| September 7, 2020 | $ 7.70 | 20,000 | 20,000 |
| December 11, 2020 | $ 2.80 | 20,000 | 20,000 |
| January 21, 2021 | $ 2.45 | 30,000 | 30,000 |
| July 23, 2020 | $ 3.65 | 5,000 | 5,000 |
| August 30, 2020 | $ 3.65 | 20,000 | 20,000 |
| September 12, 2021 | $ 3.65 | 20,000 | 20,000 |
| December 9, 2022 | $ 1.10 | 75,000 | 75,000 |
| September 12, 2024 | $ 3.65 | 140,000 | 35,000 |
| October 1, 2024 | $ 3.65 | 10,000 | 10,000 |
| February 7, 2023 | $ 2.30 | 10,000 | 10,000 |
| March 19, 2025 | $ 2.12 | 60,000 | - |
| March 19, 2030 | $ 2.12 | 60,000 | 30,000 |
| | | 500,000 | 305,000 |

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following estimated assumptions during the period ended March 31, 2020:

| | |
|---|---|
| Risk-free interest rate | 0.85-1.42% |
| Expected dividend rate | 0% |
| Expected volatility | 151.96-157.78% |
| Expected life of options | 3-10 years |

The weighted average fair value of options granted for the period ended March 31, 2020: $2.13

The Company utilized assumptions in the estimation of fair value of stock-based compensation for the year ended December 31, 2019, as follows:

| | |
|---|---|
| Risk free rate | 1.93% |
| Dividend rate | 0% |
| Expected volatility | 160.45% |
| Expected life of options | 2 years |

The weighted average fair value of options granted for December 31, 2019: $2.38

(Stated in Canadian dollars)

**9. Share capital,** continued

d) Warrants:

Agent's warrants:

A reconciliation of agent's warrants outstanding at as at March 31, 2020 and December 31, 2019 is presented below:

| | Agent's warrants | Weighted average exercise price | |
|---|---|---|---|
| Outstanding and exercisable at December 31, 2018 | 233,675 | $ | 3.88 |
| Exercised | (56,000) | $ | 0.80 |
| Expired | (40,250) | $ | 0.80 |
| Outstanding and exercisable at December 31, 2019 and March 31, 2020 | 137,425 | $ | 6.04 |

As at March 31, 2020, agent's warrants outstanding, as follows, have a weighted average remaining contractual life of 0.21 (December 31, 2019: 0.46) years.

| Expiry date | Exercise price | | Outstanding | |
|---|---|---|---|---|
| May 16, 2020 | $ | 5.00 | 65,450 | * |
| May 29, 2020 | $ | 5.00 | 24,162 | * |
| August 10, 2020 | $ | 8.00 | 47,813 | |
| | | | 137,425 | |

* Subsequent to March 31, 2020, 89,612 agent's warrants expired (see Note 16).

e) Share purchase warrants:

| | Share purchase warrants | Weighted average exercise price | |
|---|---|---|---|
| Outstanding and exercisable at December 31, 2018 | 5,239,558 | $ | 5.70 |
| Exercised | (1,383,333) | $ | 0.80 |
| Expired | (10,000) | $ | 0.80 |
| Outstanding and exercisable at December 31, 2019 and March 31, 2020 | 3,846,225 | $ | 7.49 |

(Stated in Canadian dollars)

**9. Share capital,** continued

As at March 31, 2020, share purchase warrants outstanding, detailed below, have a weighted average remaining contractual life of 0.32 (December 31, 2019: 0.57) years:

| Expiry date | Exercise price | | Outstanding | |
|---|---|---|---|---|
| May 16, 2020 | $ | 5.00 | 471,500 | * |
| May 29, 2020 | $ | 5.00 | 187,225 | * |
| August 10, 2020 | $ | 8.00 | 3,187,500 | |
| | | | 3,846,225 | |

* Subsequent to March 31, 2020, 658,725 share purchase warrants expired (see Note 16).

**10. Related party transactions**

Key management personnel of the Company are current members of the Board of Directors, as well as senior management, including the Chief Executive Officer and the Chief Financial Officer. Key management personnel compensation includes:

| | | March 31, 2020 | | March 31, 2019 |
|---|---|---|---|---|
| Management fees, salaries and wages | $ | 343,380 | $ | 291,659 |
| Professional fees | | - | | - |
| Share based payments | | 127,688 | | 38,000 |
| | $ | 471,068 | $ | 329,659 |

These transactions are in the normal course of operations and were measured by amounts agreed upon by the transacting parties.

During the three months ended March 31, 2020, the Company was charged $38,537 in software consulting services to nChain Limited ("nChain") in connection with the further development of the Company's proprietary cloud computing management and pooling software. Stefan Matthews, Chairman of the Board, is also the Chairman of nChain Group Holdings Ltd., an affiliate of nChain.

During the three months ended March 31, 2020, the convertible debenture became exercisable at the option of the holder, making the debenture holder a related party. The debenture holder maintains a controlling interest in an entity the Company transacts with. The Company earned $1,013,879 in fleet management services and $70,862 in software licensing revenue for the three months ended March 31, 2020 from the entity controlled by this related party.

As at March 31, 2020 the Company had $471,552 in trade receivables from the entity controlled by the related party. The Company had $20,690,025 due to a related party in association with the terminated acquisition (see Note 13).

On March 10, 2020 the Company acquired certain hashing equipment at a fair value of $5,556,170 (see Note 4) by issuing 2,279,215 non-voting participating shares of the Company to the debenture holder.

(Stated in Canadian dollars)

### 11. Non-controlling interest

| | |
|---|---|
| December 31, 2019 | $ 28,787 |
| Net loss attributable to non-controlling interest | (117,269) |
| March 31, 2020 | $ (88,482) |

### 12. Supplemental cash flow information

Non-cash transactions included in the working capital items consist of the following:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Digital assets received for accounts receivable | $ 746,275 | $ - |
| Digital assets used to repay vendor payables | (15,576) | - |

Non-cash investing and financing transactions consist of the following:

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| Issuance of equity settled instrument in connection with asset acquisition (see Note 4) | $ 5,556,170 | $ - |
| Issuance of promissory note payable in joint venture acquisition | - | 19,350 |

### 13. Amounts related to terminated acquisition

Receivable related to terminated acquisition

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Shipping expenses | $ - | $ 3,092,882 |
| Prepayments to service providers | 20,690,025 | 19,004,645 |
| | $ 20,690,025 | $ 22,097,527 |

Payable related to terminated acquisition

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Payables due to Debenture Holder | $ 20,690,025 | $ 17,514,618 |
| | $ 20,690,025 | $ 17,514,618 |

On November 30, 2018, as updated on March 25, 2019, the Company entered into a non-binding letter of intent and exclusivity agreement with Bigfoot Holdings Group Ltd. (“CoinGeek”) to purchase cloud computing assets owned by CoinGeek and certain of its affiliates representing approximately 3,000 pethash/s (PH/s) of computing power and other blockchain related assets, for total consideration to be determined by negotiation between the parties and paid in common shares of the Company based on a price of $0.45 per share (the “CoinGeek Transaction”).

**13. Amounts related to terminated acquisition,** continued

On May 28, 2019, as updated on July 30, 2019, in connection with the CoinGeek Transaction, the Company entered into a letter agreement with the Debenture Holder (see Note 13), Cunning Hams Limited (“Cunning Hams”) and Tansley Equipment Limited (“Tansley”) to directly or indirectly purchase all of the issued and outstanding shares of four corporations, consisting of Cunning Hams, Tansley, Woodland Technology Group Inc. (“Woodland” and, together with Tansley and Cunning Hams, the “Group”) and Laser Lollypop Limited (the "Letter Agreement Transaction").

On June 4, 2019, based on the Letter Agreement Transaction, the Company entered into a binding letter of intent with Core Scientific, Inc. (the “Core LOI”) to relocate 41,166 blockchain hashing rigs to Core Scientific’s facility in the United States. Additionally, on July 9, 2019 the Company entered into a memorandum of understanding (the "MOU") with the Debenture Holder and certain of his affiliates and Freschette pursuant to which Freschette agreed to act as agent for Cunning Hams and other affiliates of the Debenture Holder with respect to entering into and completing a hosting agreement with local hosting provider and to provide prepayments for the buildout of suitable facilities in the Republic of Kazakhstan for hosting the equipment of Cunning Hams and other affiliates of the Debenture Holder in that jurisdiction.

On August 29, 2019, the Company entered into a share purchase agreement, which terminated and replaced the Letter Agreement Transaction, with the Debenture Holder and the Group to purchase all of the issued and outstanding shares of the Group. The Group owned and operated a fleet of blockchain hashing rigs in Canada, the United States and China, representing approximately 2,892 petahash per second of computing power. As consideration, the Company agreed to (i) issue 800,000 common shares in the capital of the Company, (ii) issue 8,270,000 non-voting participating shares, a new class of shares to be created in the capital of the Company, and (iii) enter into a profit-sharing agreement with the respect to the assets of the Group.

On November 8, 2019, the Company agreed to terminate the share purchase agreement dated August 29, 2019 between the Company, the Debenture Holder and the Group. The Company entered into a termination agreement pursuant to which the Debenture Holder agreed to reimburse all costs expended by the Company in connection with the Core LOI and the MOU (the “Returned Funds”), and the Company agreed to assign the hosting agreement entered into in respect to the MOU to the debenture holder or his designates. In connection with the terminated acquisition the Company paid $20,690,025 prepayments to service providers and received $20,690,025 in reimbursements related to these payments.

The Company will continue to recognize hosting prepayments as an asset and the received Returned Funds related to unassigned hosting agreements in the amount of $20,690,025 as a liability until such time as the hosting agreement is assigned to the Debenture Holder or his designates. Following an assignment of the agreement, the asset and the liability will be eliminated.

(Stated in Canadian dollars)

## 14. Operating Segments

As a result of the asset acquisition on May 1, 2019, the Company has one operating segment: mining of digital assets on various blockchains and providing services to third parties related to this operation. Certain geographical information has been provided as follows:

Revenue

| | Canada | | Kazakhstan | | Cayman Island | | Total | |
|---|---|---|---|---|---|---|---|---|
| Digital assets mined | $ | - | $ | - | $ | 4,212,525 | $ | 4,212,525 |
| Fleet management services | | - | | - | | 1,630,602 | | 1,630,602 |
| Software licensing | | 125,377 | | - | | - | | 125,377 |
| | **$** | **125,377** | **$** | **-** | **$** | **5,968,504** | **$** | **5,968,504** |

Assets

| | Canada | | Kazakhstan | | Cayman Island | | Total | |
|---|---|---|---|---|---|---|---|---|
| Equipment | $ | 5,623,658 | $ | - | | 4,772,872 | $ | 10,396,530 |
| Intangible assets | | 2,351,613 | | - | | 145,250 | | 2,496,863 |
| | **$** | **2,445,584** | **$** | **-** | **$** | **4,918,122** | **$** | **12,893,393** |

## 15. Management of capital risk

The Company manages its cash and cash equivalents, and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its businesses and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

## 16. Subsequent events

The Company has evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued.

On April 2, 2020, the Company announced that it had appointed a new Chief Financial Officer to the Company. The Company also announced that a member of its advisory board had stepped down and was replaced.

On April 2, 2020, the Company announced that it had filed for a blockchain computing related patent with the United Kingdom patent office.

On April 20, 2020, the Company entered into a licensing agreement with nChain Group Holdings Ltd. (“nChain Group”) for ten years to use elements of its intellectual property patent portfolio. Pursuant to the IP Licensing Agreement, the Company will pay nChain Group approximately $1.30 million in licensing fees over the first year of the agreement, with approximately $0.26 million due within 30 days of the signing and the remaining $1.04 million due by December 31, 2020.

On May 1, 2020, the Company settled a financial instrument by issuing common shares of the Company. In accordance with the agreement, the Company issued 9,256,763 shares at the floor of $3.00 per common share. Upon the convertible debenture becoming exercisable, the holder of the debenture is considered a related party of TAAL Distributed Information Technologies Inc.

On June 5, 2020, the Company entered into a definitive share purchase and equity financing agreement and development agreement with Codugh Pty Ltd. (“Codugh”). Pursuant to the agreements, the Company will pay approximately $320,000 to acquire 19.9% of Codugh, the proceeds of which will be used to further develop, launch, and scale Codugh’s products and platform.

Subsequent to March 31, 2020, 89,612 agent’s warrants and 658,725 share purchase warrants expired, 20,000 share purchase options at exercise price of $1.82 were granted to an officer of the company and 5,000 share purchase options at $2.10 were granted to an Advisory board member.