



HIVE
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TSX.V: **HIVE**

HIVE Blockchain Technologies Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2021 and 2020

(Expressed in US dollars)

(Unaudited)

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



| | December 31, 2021 | March 31, 2021 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 63,646,540 | \$ 40,290,513 |
| Amounts receivable and prepaids (Note 9) | 10,034,555 | 8,768,109 |
| Investments (Note 8) | 26,731,708 | 981,736 |
| Digital currencies (Note 10) | 168,091,387 | 57,499,720 |
| | 268,504,190 | 107,540,078 |
| Data centre equipment (Note 11) | 107,057,742 | 21,598,803 |
| Deposits (Note 12) | 95,647,490 | 45,532,751 |
| Investment in sublease (Note 16) | - | 76,744 |
| Right of use asset (Note 16) | 1,327,961 | 2,978,284 |
| Intangible asset (Notes 6, 7) | 14,622,817 | 604,070 |
| Total assets | \$ 487,160,200 | \$ 178,330,730 |
| Liabilities and equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 10,965,293 | \$ 3,478,137 |
| Taxes payable | - | 73,085 |
| Current portion of lease liability (Note 16) | 907,577 | 1,910,712 |
| Current portion of term loan (Note 15) | 2,273,208 | - |
| Loans payable (Notes 5, 14, 25) | 1,224,102 | 4,396,191 |
| | 15,370,180 | 9,858,125 |
| Convertible loan - liability component (Note 13) | 5,783,438 | 6,290,741 |
| Convertible loan - derivative component (Note 13) | 8,798,714 | 9,418,331 |
| Term loan (Note 15) | 7,555,009 | - |
| Loan payables (Notes 5, 14, 25) | 17,137,393 | 17,137,393 |
| Lease liability (Note 16) | 487,981 | 1,153,127 |
| Total liabilities | 55,132,715 | 43,857,717 |
| Equity | | |
| Share capital (Note 19) | 328,732,256 | 259,905,407 |
| Special warrants (Note 19) | 84,522,843 | - |
| Reserves and accumulated other comprehensive income | 11,801,356 | 5,195,324 |
| Retained earnings (deficit) | 6,971,030 | (130,627,718) |
| Total equity | 432,027,485 | 134,473,013 |
| Total liabilities and equity | \$ 487,160,200 | \$ 178,330,730 |

Nature of operations (Note 1)
 Commitments and contingencies (Note 17)

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

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



HIVE

| | Three months ended December 31, | | Nine months ended December 31, | |
|--|---------------------------------|---------------|--------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue from digital currency mining (Note 10) | \$ 68,183,402 | \$ 13,707,879 | \$ 158,042,263 | \$ 33,277,753 |
| Cost of digital currency mining | | | | |
| Operating and maintenance costs | (6,526,317) | (3,078,934) | (20,340,350) | (10,846,921) |
| Depreciation (Notes 6, 11, 16) | (14,992,288) | (2,476,592) | (31,517,999) | (5,903,235) |
| | 46,664,797 | 8,152,353 | 106,183,914 | 16,527,597 |
| Revaluation of digital currencies (Note 10) | 4,052,617 | 6,315,970 | 13,577,527 | 8,635,736 |
| Gain on sale of digital currencies (Note 10) | 7,949,927 | 1,679,213 | 16,735,396 | 4,156,500 |
| Hosting revenue | 661,387 | 393,518 | 3,358,251 | 585,318 |
| Expenses | | | | |
| General and administrative (Note 21) | (2,862,011) | (911,076) | (6,639,574) | (2,039,296) |
| Foreign exchange gain (loss) | (1,676,763) | 1,746,573 | (3,036,061) | 1,661,155 |
| Share-based compensation (Note 19) | (1,672,614) | (209,726) | (5,473,677) | (868,947) |
| | (6,211,388) | 625,771 | (15,149,312) | (1,247,088) |
| Realized gain on investments (Note 8) | - | 6,639 | - | 6,639 |
| Unrealized gain on investments (Note 8) | 11,875,641 | 148,967 | 12,235,357 | 148,967 |
| Change in fair value of derivative liability (Note 13) | 590,837 | - | 619,617 | - |
| Gain on sale of subsidiary (Note 5) | - | - | 3,171,275 | - |
| Finance expense | (1,338,151) | (111,918) | (3,133,277) | (342,283) |
| Net income for the period | \$ 64,245,667 | \$ 17,210,513 | \$ 137,598,748 | \$ 28,471,386 |
| Other comprehensive income | | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | | |
| Translation adjustment | 1,480,885 | 382,751 | 902,986 | 3,968 |
| Net income and comprehensive income for the period | \$ 65,726,552 | \$ 17,593,264 | \$ 138,501,734 | \$ 28,475,354 |
| Basic income per share | \$ 0.17 | \$ 0.05 | \$ 0.36 | \$ 0.08 |
| Diluted income per share | \$ 0.16 | \$ 0.05 | \$ 0.34 | \$ 0.08 |
| Weighted average number of common shares outstanding | | | | |
| Basic (Note 20) | 388,433,985 | 346,013,499 | 382,362,844 | 344,223,155 |
| Diluted (Note 20) | 412,060,707 | 363,327,167 | 405,989,565 | 361,536,823 |

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

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



| | Share capital | | Special Warrants | | Equity reserve | Cumulative translation adjustment | Retained earnings (deficit) | Total equity |
|------------------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-----------------------------------|-----------------------------|--------------------|
| | Shares issued | Amount | Number (in units) | Amount | | | | |
| | | \$ | | \$ | \$ | \$ | \$ | \$ |
| At March 31, 2020 | 327,145,564 | 188,542,547 | - | - | 5,974,398 | (263,108) | (173,167,402) | 21,086,435 |
| Share-based compensation | - | - | - | - | 868,947 | - | - | 868,947 |
| Quebec acquisition | 15,000,000 | 2,458,470 | - | - | - | - | - | 2,458,470 |
| Exercise of options | 3,125,000 | 1,106,164 | - | - | (416,031) | - | - | 690,133 |
| Vesting of restricted stock units | 1,212,500 | 334,661 | - | - | (334,661) | - | - | - |
| Shares issued for services | 100,000 | 25,312 | - | - | - | - | - | 25,312 |
| Income for the period | - | - | - | - | - | - | 28,471,386 | 28,471,386 |
| Translation adjustment | - | - | - | - | - | 3,968 | - | 3,968 |
| At December 31, 2020 | 346,583,064 | 192,467,154 | - | - | 6,092,653 | (259,140) | (144,696,016) | 53,604,651 |
| At March 31, 2021 | 367,712,036 | 259,905,407 | - | - | 5,095,314 | 100,010 | (130,627,718) | 134,473,013 |
| Share-based compensation | - | - | - | - | 5,473,677 | - | - | 5,473,677 |
| Warrants issued for asset purchase | - | - | - | - | 2,030,045 | - | - | 2,030,045 |
| Shares offering | 10,872,500 | 34,956,137 | - | - | - | - | - | 34,956,137 |
| Special warrants | - | - | 19,170,500 | 89,917,918 | - | - | - | 89,917,918 |
| Issuance costs | - | (1,518,471) | - | (5,395,075) | - | - | - | (6,913,546) |
| Atlantic acquisition | 5,000,000 | 18,874,701 | - | - | - | - | - | 18,874,701 |
| Shares issued for investment | 4,000,000 | 12,726,694 | - | - | - | - | - | 12,726,694 |
| Exercise of options | 1,887,963 | 3,142,131 | - | - | (1,155,018) | - | - | 1,987,113 |
| Vesting of restricted stock units | 1,156,500 | 645,657 | - | - | (645,657) | - | - | - |
| Income for the period | - | - | - | - | - | - | 137,598,748 | 137,598,748 |
| Translation adjustment | - | - | - | - | - | 902,986 | - | 902,986 |
| At December 31, 2021 | 390,628,999 | 328,732,256 | 19,170,500 | 84,522,843 | 10,798,360 | 1,002,996 | 6,971,030 | 432,027,485 |

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

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



| | Nine months period ended December 31, | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Operating activities | | |
| Income for the period: | \$ 137,598,748 | \$ 28,471,386 |
| Adjusted for: | | |
| Depreciation | 31,517,999 | 5,903,235 |
| Gain on sale of subsidiary | (3,171,275) | - |
| Gain on investment | (12,235,357) | (6,639) |
| Change in fair value of derivative liability | (619,617) | - |
| Accretion on convertible debt - liability portion | 1,742,697 | - |
| Share-based compensation | 5,473,677 | 868,947 |
| Interest expense | 111,546 | 332,737 |
| Changes in non-cash working capital items: | | |
| Amounts receivable and prepaids | (1,017,768) | (9,396,109) |
| Taxes payable | (73,085) | (144,545) |
| Digital currencies | (110,591,667) | (10,641,776) |
| Accounts payable and accrued liabilities | 3,849,197 | 3,405,231 |
| Cash provided by operating activities | 52,585,095 | 18,792,467 |
| Investing activities | | |
| Deposits on equipment | (47,598,608) | (8,992,185) |
| Investments | (499,980) | (323,849) |
| Quebec acquisition | - | (1,235,873) |
| Purchase of mining equipment | (96,714,794) | (11,542,831) |
| Cash divested from sale of subsidiary | (237,254) | - |
| Cash used in investing activities | (145,050,636) | (22,094,739) |
| Financing activities | | |
| Exercise of options | 1,987,113 | 690,133 |
| Shares offering | 33,437,666 | - |
| Issuance of warrants | 84,522,843 | - |
| Repayment of loan | (1,136,598) | - |
| Repayment of debenture | (2,250,000) | - |
| Lease payments made, net of lease payments received | (1,636,687) | (1,742,245) |
| Cash provided by (used in) financing activities | 114,924,337 | (1,052,112) |
| Effect of exchange rate changes on cash | 897,231 | 197,256 |
| Net change in cash during the period | 23,356,027 | (4,157,128) |
| Cash, beginning of period | 40,290,513 | 5,130,127 |
| Cash, end of period | \$ 63,646,540 | \$ 972,999 |
| Supplemental cash flow information | | |
| Digital assets in amounts receivable and prepaids | \$ - | \$ (1,166,864) |
| Share consideration issued for Quebec acquisition | \$ - | \$ 2,458,470 |
| Share consideration issued for Atlantic acquisition | \$ 18,694,219 | \$ - |
| Share consideration issued for investments | \$ 12,726,694 | \$ - |
| Share consideration issued for deposits | \$ 2,030,045 | \$ - |
| Recognition of right of use assets and lease liabilities | \$ 2,469,327 | \$ - |
| Supplemental disclosures: | | |
| Interest paid | \$ 286,047 | \$ - |
| Income taxes paid | \$ - | \$ - |

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

1. Nature of Operations

HIVE Blockchain Technologies Ltd. (the “Company”) was incorporated in the province of British Columbia on June 24, 1987. The Company is a reporting issuer in each of the Provinces and Territories of Canada and is listed for trading on the TSXV, under the symbol “HIVE.V”, as well on the Nasdaq’s Capital Markets Exchange under “HIVE”, and on the Open Market of the Frankfurt Stock Exchange under “HBF”. The Company’s head office is located at Suite 855, 789 Pender Street, Vancouver, BC, V6C 1H2, and the Company’s registered office is located at Suite 2500, 700 West Georgia Street, Vancouver, BC, V7Y 1B3.

In connection with the Company’s change of business filed in September 2017 (“Change of Business”), the Company acquired digital currency mining data centre equipment in Iceland. Following the initial acquisition, the Company acquired additional data centre equipment in Iceland and Sweden throughout fiscal 2018. Phases one and two of Sweden commenced operations on January 15, 2018 and March 31, 2018 respectively, while phase three commenced operations on April 30, 2018. On April 9, 2020 the Company acquired a data centre in Quebec, Canada (Note 6), and on April 15, 2021 the Company acquired a data centre in New Brunswick, Canada (Note 7). The Company is in the business of providing infrastructure solutions, including the provision of computational capacity to distributed networks, in the blockchain industry. The Company’s operations are focused on the mining and sale of digital currencies. Digital currencies are subject to risks unique to the asset class and different from traditional assets. Additionally, at times assets may be held by third party custodians or exchanges that are limited in oversight by regulatory authorities.

The negative impact on the global supply chain related to the COVID-19 pandemic has presented challenges to the Company including increased shipping costs and delaying obtaining equipment from China on a timely basis. Additionally, the Company continues to face uncertainty in the availability of equipment from suppliers as it relates to the Company’s ASIC equipment.

2. Basis of Presentation

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting of the International Financial Reporting Standards” (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods of application as the Company’s March 31, 2021 annual audited financial statements, unless otherwise noted. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for some financial instruments that have been measured at fair value.

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

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

2. Basis of Presentation (continued...)

(b) Consolidation

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

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

As of December 31, 2021, the Company had the following wholly owned subsidiaries: HIVE Blockchain Switzerland AG, Bikupa Datacenter AB, Bikupa Datacenter 2 AB, Hive Digital Data Ltd., Liv Eiendom AS, 9376-9974 Quebec Inc., and GPU Atlantic Inc. HIVE Blockchain Switzerland AG had one wholly owned subsidiary, HIVE Blockchain Iceland ehf.

(c) Presentation and functional currency

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the year end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss. The functional currency for HIVE Blockchain Technologies Ltd., 9376-9974 Quebec Inc., and GPU Atlantic Inc is the Canadian dollar, and it is the US dollar for its other wholly owned subsidiaries.

(d) Comprehensive income (loss)

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

(e) Goodwill

Goodwill represents the excess of the purchase price paid for an acquisition over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill has an indefinite useful life, is not subject to amortization and is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that they may be impaired.

3. Significant Judgements

(a) Functional currency

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

(b) Digital assets - accounting

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

(c) Assessment of transactions as an asset acquisition or business combination

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the presentation made on and after acquisition.

The Company completed the Quebec Acquisition in April 2020 (Note 6) and the Atlantic Acquisition in April 2021 (Note 7) and concluded that both entities acquired qualified as a business combination under IFRS 3, "Business Combinations". Accordingly, the Quebec Acquisition and the Atlantic Acquisition have been accounted for as a business acquisition.

(d) Revenue from digital currency mining

The Company recognizes revenue from digital currency mining from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue from digital currency mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital currencies, at their fair value less costs to sell and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit and loss in accordance with the Company's treatment of its digital currencies as a traded commodity.

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

3. Significant Judgements (continued...)

(e) Contingencies

Contingencies can be either possible assets or liabilities arising from past events which, by their nature, will be resolved only when one or more uncertain future events occur or fail to occur. Such contingencies include, but are not limited to, litigation, regulatory proceedings, tax matters and gains or losses resulting from other events and developments. The assessment of the existence and potential impact of contingencies inherently involves the exercise of significant judgement regarding the outcome of future events.

4. Significant Estimates

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

Significant acquisitions require judgements and estimates to be made at the date of acquisition in relation to determining the relative fair value of the allocation of the purchase consideration over the fair value of the assets. The information necessary to measure the fair values as at the acquisition date of assets acquired requires management to make certain judgements and estimates about the future performance of these assets.

(b) Carrying value of assets

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit and loss.

(c) Depreciation

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

4. Significant Estimates (continued...)

(d) Deferred and current taxes

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

(e) Digital currency valuation

Digital currencies consist of cryptocurrency denominated assets (Note 10) and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate less costs to sell. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's earnings and financial position. Fair value is determined by taking the price of the coins at 2400 hours (per the Central European Time zone) from the exchanges which the Company most frequently uses.

(f) Share-based compensation

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

5. Norway Acquisition

In May 2018, the Company completed the acquisition of two entities in Norway (the “Norway Acquisition”), Liv Eiendom AS (“Liv Eiendom”) and Kolos Norway AS (“Kolos”).

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

On May 10, 2021, the Company completed the sale of the net assets of Kolos Norway AS:

| | |
|---------------------------|---------------------|
| Net liability disposed of | \$ 3,371,275 |
| Less: Payment to acquirer | (200,000) |
| Gain on disposal | \$ 3,171,275 |

The following are balance sheet items that were derecognized in the sale of the subsidiary:

| | May 10, 2021 |
|--|-----------------------|
| Assets | |
| Current assets | |
| Cash and equivalents | \$ 37,254 |
| Amounts receivable and prepaids | 878 |
| Total assets | \$ 38,132 |
| Liabilities and equity | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 82,540 |
| Loans payable | 3,326,867 |
| Total liabilities | 3,409,407 |
| Net Assets | \$ (3,371,275) |

6. Quebec Acquisition

On April 8, 2020, the Company completed the acquisition of 100% of the common shares of 9376-9974 Quebec Inc. ("9376"), a cryptocurrency mining operation located in Lachute, Quebec from Cryptologic Corp.

In consideration for 100% of the common shares of 9376, the Company paid total consideration of \$3,738,809 consisting of:

(i) Issuance of 15,000,000 common shares on closing valued at a price of C\$0.23 per common share for a total of \$2,458,470 (C\$3,450,000); and

(ii) Cash payment of \$1,235,873 (C\$1,734,315) and holdback of \$44,466.

The allocation of the total purchase price to the net assets acquired is as follows:

| | | |
|---------------------------------|-----------|------------------|
| Prepaid expenses | \$ | 719,699 |
| Data Centre Equipment (Note 11) | | 2,322,077 |
| Right of use asset (Note 16) | | 2,469,327 |
| Intangible asset* | | 872,545 |
| Accounts Payable | | (175,512) |
| Lease liability | | (2,469,327) |
| Net assets acquired | \$ | 3,738,809 |
| Cash paid | | 1,235,873 |
| Shares issued | | 2,458,470 |
| Holdback payable | | 44,466 |
| Total consideration | \$ | 3,738,809 |

* Intangible asset relates to favourable supply arrangements acquired as part of the business acquisition and is being amortized over the term of the existing facility lease.

7. Atlantic Acquisition

On April 15, 2021, the Company completed the acquisition of 100% of the common shares of GPU Atlantic. In consideration for 100% of GPU Atlantic, the Company paid total consideration of 5,000,000 common shares on closing valued at a total of \$18.7 million (C\$23.7 million). 1,000,000 of the common shares were allocated to a holdback and to GPU One earn-out upon delivery of certain earn-out conditions.

GPU Atlantic has a 50-megawatt data centre campus located in New Brunswick, Canada.

7. Atlantic Acquisition (continued...)

| | | |
|----------------------------|-----------|-------------------|
| Current assets | \$ | 671,709 |
| Data centre equipment | | 12,898,994 |
| Land | | 662,910 |
| Building | | 4,576,290 |
| Sales taxes refunds | | 75,780 |
| Intangible asset* | | 3,947,481 |
| Goodwill** | | 10,469,997 |
| Accounts payable | | (3,198,591) |
| Long-term debt | | (11,410,351) |
| Net assets acquired | \$ | 18,694,219 |
| Consideration paid | | 18,694,219 |
| Total consideration | \$ | 18,694,219 |

As part of the transaction, the Company also acquired a \$10,898,353 (C\$13,639,249) term loan (Note 15) included in the long-term debt acquired.

* Intangible asset represents an internally generated mining monitoring, tracking and generating software.

** Goodwill represents expected synergies, future income growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

The purchase price allocation for acquisitions reflects various fair value estimates which are subject to change within the measurement period. The primary areas of purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of identifiable intangible assets acquired, and residual goodwill. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The Company expects to finalize the accounting for the acquisition by March 31, 2022.

8. Investments

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

On April 21, 2021, the Company completed a share swap transaction with DeFi Technologies Inc. ("DeFi Technologies"), pursuant to which HIVE received 10,000,000 common shares of DeFi Technologies, in exchange for 4,000,000 common shares of the Company, valued at C\$16.0 million.

As at December 31, 2021, in addition to the investment of Defi Technologies, the Company holds a number of non-material investments in both private and public companies. Investments were valued at \$26,731,708 (March 31, 2021 - \$981,736).

8. Investments (continued...)

The continuity of investments was as follows:

| | | Investments |
|-----------------------------------|-----------|--------------------|
| Balance, March 31, 2020 | \$ | - |
| Additions | | 187,386 |
| Unrealized gain on investments | | 794,350 |
| Balance, March 31, 2021 | \$ | 981,736 |
| Additions | | 13,514,615 |
| Unrealized gain on investments | | 12,235,357 |
| Balance, December 31, 2021 | \$ | 26,731,708 |

Unrealized gain on investments during the period ended December 31, 2021 was \$12,235,357 (December 31, 2020 – \$148,967).

9. Amounts Receivable and Prepaids

| | December 31, 2021 | | March 31, 2021 | |
|--|--------------------------|-------------------|----------------|------------------|
| Sales tax receivable | \$ | 5,790,142 | \$ | 3,586,643 |
| Prepaid expenses and other receivables | | 1,907,781 | | 1,922,498 |
| Energy tax receivable | | 520,668 | | 1,443,004 |
| Receivable on sale of subsidiary* | | 1,815,964 | | 1,815,964 |
| Total | \$ | 10,034,555 | \$ | 8,768,109 |

* Receivable is conditional upon ruling by the by the Swedish Tax Authority related to an ongoing value added tax process. If the ruling is favourable then the amounts will be received; otherwise the amounts will not be collectible. Management has assessed the collectability using a probability model under a range of scenarios and this receivable reflects the results of that process.

10. Digital Currencies

As at December 31, 2021, the Company's digital currencies consisted of the below, with a fair value of \$168,091,387 (March 31, 2021 - \$57,499,720). Digital currencies are recorded at their fair value on the date they are received as income from digital currency mining, and are revalued to their current market value less costs to sell at each reporting date.

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

| | December 31, 2021 | | March 31, 2021 | |
|------------------|--------------------------|--------------------|----------------|-------------------|
| Ethereum | \$ | 84,912,195 | \$ | 38,640,733 |
| Ethereum Classic | | 32,218 | | - |
| Bitcoin | | 83,146,974 | | 18,858,987 |
| Total | \$ | 168,091,387 | \$ | 57,499,720 |

10. Digital Currencies (continued...)

The continuity of digital currencies was as follows:

| | December 31, 2021 | March 31, 2021 |
|-------------------------|--------------------------|----------------------|
| Opening balance | \$ 57,499,720 | \$ 3,455,756 |
| Digital currency mined | 158,042,263 | 66,697,924 |
| Digital assets received | 553,735 | 1,057,334 |
| Digital currency sold | (61,581,858) | (38,437,132) |
| Revaluation adjustment | 13,577,527 | 24,725,838 |
| Ending balance | \$ 168,091,387 | \$ 57,499,720 |

During the period ended December 31, 2021 the Company sold digital currencies for proceeds totalling \$78,317,253 (December 31, 2020 - \$33,661,035) with a cost of \$61,581,858 (December 31, 2020 - \$29,587,754), and recorded a gain on sale of \$16,735,396 (December 31, 2020 – gain of \$4,156,500).

11. Data Centre Equipment

| Cost | Data Centres | |
|-----------------------------------|---------------------|--------------------|
| Balance, March 31, 2020 | \$ | 82,284,690 |
| Quebec acquisition (Note 6) | | 2,322,077 |
| Additions | | 20,924,181 |
| Balance, March 31, 2021 | | 105,530,948 |
| Atlantic acquisition (Note 7) | | 18,138,194 |
| Additions | | 96,508,920 |
| Balance, December 31, 2021 | \$ | 220,178,062 |

Accumulated depreciation and impairment

| | | |
|-----------------------------------|-----------|--------------------|
| Balance, March 31, 2020 | \$ | 75,868,990 |
| Depreciation | | 8,063,155 |
| Balance, March 31, 2021 | | 83,932,145 |
| Depreciation | | 29,188,175 |
| Balance, December 31, 2021 | \$ | 113,120,319 |

Carrying amount

| | | |
|-----------------------------------|-----------|--------------------|
| Balance, March 31, 2021 | \$ | 21,598,803 |
| Balance, December 31, 2021 | \$ | 107,057,742 |

12. Deposits

The Deposits at December 31, 2021 and March 31, 2021 relate to required amounts on account with electricity providers in Sweden and deposit for equipment purchases, consisting of:

| Description | December 31, 2021 | | March 31, 2021 | |
|--------------------|--------------------------|-------------------|-----------------------|-------------------|
| Vattenfall AB | \$ | 1,431,970 | \$ | 1,494,617 |
| Bodens Energi | | 694,090 | | 724,456 |
| Equipment Deposits | | 93,521,430 | | 43,313,678 |
| Total | \$ | 95,647,490 | \$ | 45,532,751 |

13. Convertible Loan

On January 12, 2021, the Company closed its non-brokered private placement of unsecured debentures (the “Debentures”), for aggregate gross proceeds of \$15,000,000 with U.S. Global Investors, Inc. (“U.S. Global”). The Executive Chairman of the Company is a director, officer and controlling shareholder of U.S. Global.

The Debentures mature on the date that is 60 months from the date of issuance, bearing interest at a rate of 8% per annum. The Debentures will be issued at par, with each Debenture being redeemable by the Company at any time, and convertible at the option of the holder into common shares (each, a “Share”) in the capital of the Company at a conversion price of CAD\$3.00 per Share. Interest will be payable monthly and principal will be payable quarterly. In addition, U.S. Global was issued 5.0 million common share purchase warrants (the “Warrants”). Each whole Warrant entitles U.S. Global to acquire one common at an exercise price of CAD\$3.00 per Share for a period of three years from closing.

The Company determined that the Convertible Loan contained an embedded derivative and that the conversion feature does not qualify as equity as it does not satisfy the “fixed for fixed” requirement as the number of potential common shares to be issued is contingent on a variable carrying amount for the financial liability. The financial liability is variable because the functional currency of Hive Blockchain Technologies Ltd. is Canadian dollars and the Convertible Loan is denominated in US dollars, therefore the amount of common shares to be issued depends on the foreign exchange rate at the date of settlement. Consequently, the conversion feature is classified as a derivative liability.

The Company allocated the proceeds of \$15,000,000 first to the derivative component for \$8,560,630, with the residual value to the liability component for \$6,439,370. The derivative component was valued on initial recognition using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.69%; an expected volatility of 105%; an expected life of 2.71 years; a forfeiture rate of zero; and an expected dividend of zero.

13. Convertible Loan (continued...)

Liability Component

| | | |
|-----------------------------------|-----------|------------------|
| Balance, March 31, 2020 | \$ | - |
| Value on initial recognition | | 6,439,370 |
| Principal payment | | (658,333) |
| Accretion | | 509,704 |
| Balance, March 31, 2021 | | 6,290,741 |
| Principal payment | | (2,250,000) |
| Accretion | | 1,742,697 |
| Balance, December 31, 2021 | \$ | 5,783,438 |

Derivative Component

| | | |
|-----------------------------------|-----------|------------------|
| Balance, March 31, 2020 | \$ | - |
| Value on initial recognition | | 8,560,630 |
| Change in fair value of liability | | 857,702 |
| Balance, March 31, 2021 | | 9,418,331 |
| Change in fair value of liability | | (619,617) |
| Balance, December 31, 2021 | \$ | 8,798,714 |

The derivative component is re-valued each reporting period. As at December 31, 2021, the derivative component was revalued at \$8,798,714 (March 31, 2021 - \$9,418,331) using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.75%; an expected volatility of 105%; an expected life of 2.38 years; a forfeiture rate of zero; and an expected dividend of zero. Accordingly, the Company recorded a change in the fair value of the derivative liability of \$619,617.

14. Loans Payable

As part of the Norway Acquisition (Note 5) the Company assumed loans with a principal balance of \$2,559,599 (NOK 20,915,000). The loans from the Norway Acquisition are in default as at March 31, 2021. On May 10, 2021, the Company sold the Norway subsidiary which included the loans (Note 5). On March 31, 2021, as part of the sale of the net assets in Boden Technologies AB (Note 25), the Company incurred a loan payable.

A continuity of the loan balances are as follows:

| | Norway (Notes 5) | Boden (Note 25) | Total |
|------------------------------------|---------------------|----------------------|----------------------|
| Balance - March 31, 2020 | 2,713,073 | - | 2,713,073 |
| Additions (Note 25) | - | 18,361,495 | 18,361,495 |
| Interest | 207,678 | - | 207,678 |
| Foreign exchange movement | 251,338 | - | 251,338 |
| Balance - March 31, 2021 | 3,172,089 | 18,361,495 | 21,533,584 |
| Interest | 25,133 | - | 25,133 |
| Foreign exchange movement | 129,645 | - | 129,645 |
| Sale of Norway subsidiary (Note 5) | (3,326,867) | - | (3,326,867) |
| Balance - December 31, 2021 | - | 18,361,495 | 18,361,495 |
| Less: Current portion | - | (1,224,102) | (1,224,102) |
| Non-current portion | \$ - | \$ 17,137,393 | \$ 17,137,393 |

15. Term Loan

As part of the Atlantic acquisition (Note 7), the Company acquired a \$10,898,353 (C\$13,639,249) term loan. The facility bears interest at 3.33% per annum and has a maturity date of February 28, 2022. Principal payment of C\$189,434 plus interest is payable monthly. The current portion of the loan was \$2,273,208.

The term loan has financial ratios and minimum tangible asset covenants that must be maintained. As at December 31, 2021 these covenants were met. The term loan includes an unlimited guarantee from the Company.

16. Right of Use Asset and Lease Liability

The Company adopted a new lease standard and recognized \$360,361 of lease liability on April 1, 2019. The lease liability was measured at the present value of the remaining lease payments of \$360,361 as of April 1, 2019, discounted using an incremental borrowing rate of that date of 6%. The Company recorded a right of use asset of the same amount which relates to a long-term office lease. Depreciation of the right of use asset is calculated using the straight-line method over the remaining lease term.

During the period ended December 31, 2021, the Company recognized interest expense on the lease liability of \$94,587 (December 31, 2020 - \$187,693) which was recorded within finance expense.

| Cost | | Right of Use Assets |
|-----------------------------------|-----------|----------------------------|
| Balance, March 31, 2020 | \$ | 2,790,800 |
| Additions (Note 6) | | 2,469,327 |
| Foreign exchange | | 493,001 |
| Balance, March 31, 2021 | \$ | 5,753,128 |
| Additions | | 39,455 |
| Foreign exchange | | 48,034 |
| Balance, December 31, 2021 | \$ | 5,840,617 |

| Accumulated Depreciation | | |
|-----------------------------------|-----------|--------------------|
| Balance, March 31, 2020 | \$ | (550,526) |
| Depreciation | | (2,181,512) |
| Foreign exchange | | (42,806) |
| Balance, March 31, 2021 | \$ | (2,774,844) |
| Depreciation | | (1,725,218) |
| Foreign exchange | | (12,594) |
| Balance, December 31, 2021 | \$ | (4,512,656) |

| Carrying Amount | | |
|-----------------------------------|-----------|------------------|
| Balance, March 31, 2021 | \$ | 2,978,284 |
| Balance, December 31, 2021 | \$ | 1,327,961 |

16. Right of Use Asset and Lease Liability (continued...)

| | Lease Liability |
|---------------------------------------|------------------------|
| Balance, March 31, 2020 | \$ 2,343,938 |
| Additions (Note 6) | 2,469,327 |
| Lease payments made | (2,561,297) |
| Interest expense on lease liabilities | 236,600 |
| Foreign exchange | 575,271 |
| Balance, March 31, 2021 | \$ 3,063,839 |
| Lease payments made | (1,800,515) |
| Additions | 39,455 |
| Interest expense on lease liabilities | 94,587 |
| Foreign exchange | (1,808) |
| | 1,395,558 |
| Less: current portion | (907,577) |
| Balance, December 31, 2021 | \$ 487,981 |

Lease Disclosures

| | |
|---------------------------------------|--------------|
| Interest expense on lease liabilities | \$ 94,587 |
| Income from sub-leasing | \$ 8,174 |
| Total cash outflow for leases | \$ 1,800,515 |

Maturity Analysis - Undiscounted Contractual Payments

| | |
|------------------|---------------------|
| Less than 1 year | \$ 960,258 |
| 1 to 2 years | 487,176 |
| 2 to 3 years | 10,720 |
| | \$ 1,447,434 |

During the year ended March 31, 2020, the Company sub-leased office space to an arm's length tenant. The Company has recorded a net investment in sublease of \$360,361 measured at either an amount equal to the leased asset or the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate on April 1, 2019. The following is a reconciliation of the changes in the net investment in sublease:

| | |
|-----------------------------------|-------------|
| Balance, March 31, 2020 | \$ 234,152 |
| Lease accretion | 9,786 |
| Receipts | (167,194) |
| Balance, March 31, 2021 | \$ 76,744 |
| Lease accretion | 8,174 |
| Receipts | (84,918) |
| Balance, December 31, 2021 | \$ - |

17. Commitments and Contingencies

(a) Service agreements

The Company has a service agreement to operate and maintain their data centre computing equipment for the purpose of mining crypto currency on the cloud. As part of the arrangement, proprietary software is installed on the Company's computing equipment to assist in optimizing the use of the equipment.

(b) Power purchase agreement

The Company has a supplemental power pricing arrangement that was entered into in order to fix 12 MW of electricity consumption each month at a set price. The fixed price agreement was assessed and is being accounted for as an executory contract whereby the monthly electricity costs are expensed as incurred.

(c) Capital and other commitments:

There were no capital or other commitments at the current or prior year end in addition to the commitments disclosed above.

(d) Obligations on Mining equipment

The Company had purchase commitments of \$32,603,845 as at December 31, 2021.

18. Related Party Transactions

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

- a) As at December 31, 2021, the Company had \$12,634 (March 31, 2021 – \$49,288) due to directors for the reimbursement of expenses included in accounts payable and accrued liabilities.
- b) As at December 31, the Company had \$68,585 (March 31, 2021 – \$2,938) due to a company controlled by a director of the Company included in accounts payable and accrued liabilities. For the period ended December 31, 2021, the Company paid \$175,272 (December 31, 2020 - \$nil) to this company for marketing services.

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, 2021, key management compensation includes salaries and wages paid to key management personnel and directors of \$471,757 (December 31, 2020 - \$577,728) and share-based payments of \$2,827,181 (December 31, 2020 - \$786,545).

19. Equity

(a) Authorized

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

(b) Issued and fully paid common shares

During the period ended December 31, 2021, the Company:

- Issued 1,052,963 common shares for proceeds of C\$2,105,926 (\$1,662,998) pursuant to the exercise of 1,052,963 options at a price of C\$2.00 per option, issued 500,000 common shares for proceeds of C\$310,000 (\$247,663) pursuant to the exercise of 500,000 options at a price of C\$0.62 per option, issued 250,000 common shares for proceeds of C\$72,500 (\$56,442) pursuant to the exercise of 250,000 options at a price of C\$0.29 per option and issued 85,000 common shares for proceeds of C\$25,500 (\$20,428) pursuant to the exercise of 85,000 options at a price of C\$0.30 per option. An amount of \$1,155,018 was reallocated from share capital to reserves in connection with the exercise of these options.
- Issued 1,156,500 common shares with a value of \$645,657 pursuant to the vesting of 1,156,500 restricted share-units. An amount of \$645,657 was reallocated from reserves to share capital in connection with the vesting of these restricted share-units.
- Issued 10,872,500 common shares (the "ATM Shares") pursuant to the ATM Equity Program for proceeds of C\$42,275,457 (\$34,956,137). The ATM Shares were sold at prevailing market prices, for an average price per ATM Share of C\$4.01. Pursuant to the Equity Distribution Agreement, a cash commission of \$1,048,683 on the aggregate gross proceeds raised was paid to the agent in connection with its services under the Equity Distribution Agreement.
- Subsequent to the period ended December 31, 2021, the Company issued 46,154 common shares upon the exercise of stock options (Note 19c).

During the year ended March 31, 2021, the Company:

- Issued 15,000,000 common shares with a value of C\$3,450,000 (\$2,458,470) to Cryptologic Corp. in connection to the acquisition of 9376-9974 Quebec Inc.
- Issued 100,000 common shares with a value of C\$22,875 (\$24,448) to a contractor in exchange for services completed.
- Issued 1,626,000 common shares with a value of \$584,244 pursuant to the vesting of 1,626,000 restricted share-units. An amount of \$241,502 was reallocated from reserves to share capital in connection with the vesting of these restricted share-units.
- Issued 7,476,972 common shares for proceeds of C\$4,673,819 (\$3,779,887) pursuant to the exercise of 187,500 options at a price of C\$0.29, 5,625,000 options at a price of C\$0.30 per option, 300,000 options at a price of C\$0.62 per option, 1,344,472 options at a price of C\$2.00 per option, and 20,000 options at a price of C\$2.85 per option. An amount of \$2,056,713 was reallocated from reserves to share capital in connection with the exercise of these options.
- Issued 16,363,500 common shares (the "ATM Shares") pursuant to the ATM Equity Program for proceeds of C\$81,726,582 (\$64,543,080). The ATM Shares were sold at prevailing market prices, for an average price per ATM Share of C\$4.99. Pursuant to the Equity Distribution Agreement, a cash commission of \$1,842,480 on the aggregate gross proceeds raised was paid to the agent in connection with its services under the Equity Distribution Agreement.

As at December 31, 2021 800,000 common shares were held in escrow.

19. Equity (continued...)

(c) Stock options

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

Following is a summary of changes in stock options outstanding for the period ended December 31, 2021:

| | Outstanding | Weighted average exercise price |
|----------------------------|-------------|------------------------------------|
| Balance, March 31, 2020 | 21,493,168 | C\$ 0.57 |
| Granted | 1,138,000 | 4.52 |
| Forfeited | (1,000,000) | 0.62 |
| Exercised | (7,476,972) | 0.63 |
| Balance, March 31, 2021 | 14,154,196 | C\$ 0.87 |
| Granted | 2,075,000 | 4.01 |
| Exercised | (1,887,963) | 1.33 |
| Balance, December 31, 2021 | 14,341,233 | C\$ 1.31 |

The stock options outstanding and exercisable as at December 31, 2021, are as follows:

| Outstanding | Exercisable | Exercise price | Expiry date |
|-------------|-------------|----------------|--------------------|
| 666,502 | 666,502 | C\$ 0.30 | September 14, 2022 |
| 10,000 | 10,000 | 3.14 | February 11, 2026 |
| 50,000 | 30,000 | 2.99 | June 4, 2026 |
| 5,000,000 | 5,000,000 | 0.30 | September 14, 2027 |
| 669,231 | 669,231 | 2.00 | October 11, 2027 |
| 250,000 | 250,000 | 2.00 | March 26, 2028 |
| 1,500,000 | 1,500,000 | 0.62 | September 18, 2028 |
| 500,000 | 500,000 | 0.27 | December 21, 2028 |
| 2,562,500 | 2,187,500 | 0.29 | February 10, 2030 |
| 100,000 | 75,000 | 0.38 | May 29, 2030 |
| 8,000 | 8,000 | 2.16 | December 24, 2030 |
| 1,000,000 | 875,000 | 5.00 | February 23, 2031 |
| 175,000 | 80,000 | 5.03 | April 6, 2031 |
| 550,000 | 137,500 | 3.67 | April 29, 2031 |
| 900,000 | 45,000 | 3.70 | October 7, 2031 |
| 300,000 | - | 5.07 | November 10, 2031 |
| 100,000 | 37,500 | 4.20 | December 8, 2031 |
| 14,341,233 | 12,071,233 | | |

Subsequent to December 31, 2021, 46,154 stock options were exercised.

19. Equity (continued...)

(d) Warrants

Following is a summary of changes in warrants outstanding for the period ended December 31, 2021:

| | Warrants outstanding | Weighted average exercise price |
|---|-------------------------|------------------------------------|
| Balance, March 31, 2020 | 1,250,000 | C\$ 1.24 |
| Issued | 5,000,000 | 3.00 |
| Balance, March 31, 2021 and December 31, 2021 | 6,250,000 | C\$ 2.65 |
| Issued** | 1,500,000 | 3.11 |
| Balance, December 31, 2021 | 7,750,000 | C\$ 2.74 |

The warrants outstanding and exercisable as at December 31, 2021, are as follows:

| Outstanding | Exercisable | Exercise price | Expiry date |
|--------------|-------------|----------------|------------------|
| 1,250,000 * | 400,000 | C\$ 1.24 | May 22, 2023 |
| 5,000,000 | 5,000,000 | C\$ 3.00 | January 12, 2024 |
| 1,500,000 ** | 1,500,000 | C\$ 3.11 | July 12, 2023 |
| 7,750,000 | 6,900,000 | | |

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

** For the period ended December 31, 2021, the Company issued 1,500,000 warrants as consideration for mining equipment. Each full warrant entitles the holder to acquire one common share for C\$3.11 for a period of 2 years. The warrants were valued at \$2,557,698 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.46%; an expected volatility of 105%; an expected life of 2.00 years; a forfeiture rate of zero; and an expected dividend of zero.

On November 30, 2021, the Company completed an agreement with Stifel GMP as lead underwriter and sole bookrunner to include a syndicate of underwriters (the "Underwriters"), whereby the Underwriters will purchase, on a bought-deal basis, 19,170,500 special warrants of the Company (the "Special Warrants") at a price of C\$6.00 per Special Warrant for aggregate gross proceeds to the Company of C\$115,023,000 (the "Offering").

On January 11, 2022 each Special Warrant was deemed to be exercised into one Unit comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant being a "Warrant"). Each Warrant is exercisable for one share on or before May 30, 2024, at an exercise price of C\$6.00 per Share.

19. Equity (continued...)

(e) Restricted share-units

The Company has established a Restricted Share Unit Plan (the "RSU Plan"). Under the RSU Plan, together with any other share compensation arrangement, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. Currently, the RSU Plan has a limit of 10 million shares, which is not rolling. The Board may in its own discretion, at any time, and from time to time, grant RSUs to any employee, director or consultant of the Company or its subsidiaries (collectively, "Eligible Persons"), other than persons conducting investor relations activities, from time to time by the Board, subject to the limitations set forth in the RSU Plan. The Board may designate one or more performance periods under the RSU Plan. In respect of each designated performance period and subject to the terms of the RSU Plan, the Board may from time to time establish the grant date and grant to any Eligible Person one or more RSUs as the Board deems appropriate.

Following is a summary of changes in restricted share units outstanding for the period ended December 31, 2021:

| | Outstanding |
|----------------------------|-------------|
| Balance, March 31, 2020 | 3,100,000 |
| Granted | 310,000 |
| Exercised | (1,626,000) |
| Balance, March 31, 2021 | 1,784,000 |
| Granted | 40,000 |
| Exercised | (1,156,500) |
| Balance, December 31, 2021 | 667,500 |

(f) Share-based compensation

During the period ended December 31, 2021, \$4,609,013 (December 31, 2020 - \$353,250) of share-based compensation expense was recognized in relation to the vesting of options, and \$864,664 (December 31, 2020 - \$515,697) of share-based compensation expense was recognized in relation to the vesting of RSU's.

The following weighted average assumptions were used for the valuation of the stock options:

| | Fiscal Years | |
|-------------------------|--------------|-------|
| | 2022 | 2021 |
| Risk-free interest rate | 1.15% | 0.42% |
| Expected life (years) | 6.57 | 5.00 |
| Annualized volatility | 105% | 105% |
| Dividend rate | 0.00% | 0.00% |



20. Income per Share

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

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

| | Three months ended December 31, 2021 | Three months ended December 31, 2020 |
|--|---|---|
| Basic weighted average number of common shares outstanding | 388,433,985 | 346,013,499 |
| Effect of dilutive stock options and warrants | 18,463,733 | 17,313,668 |
| Effect of convertible loan | 5,162,988 | - |
| Diluted weighted average common shares outstanding | 412,060,707 | 363,327,167 |

| | Nine months ended December 31, 2021 | Nine months ended December 31, 2020 |
|--|--|--|
| Basic weighted average number of common shares outstanding | 382,362,844 | 344,223,155 |
| Effect of dilutive stock options and warrants | 18,463,733 | 17,313,668 |
| Effect of convertible loan | 5,162,988 | - |
| Diluted weighted average common shares outstanding | 405,989,565 | 361,536,823 |

21. General and Administrative Expenses

General and administrative expenses were comprised of the following for the periods ending:

| | December 31, 2021 | December 31, 2020 |
|---|--------------------------|---------------------|
| Management fees, salaries and wages | \$ 849,633 | \$ 402,674 |
| Marketing | 467,432 | 208,814 |
| Office, administration, and regulatory | 2,896,464 | 275,698 |
| Professional fees, advisory, and consulting | 2,426,045 | 1,152,110 |
| Total | \$ 6,639,574 | \$ 2,039,296 |

22. Financial Instruments and Risk Management

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

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

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

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

Valuation of Assets that use Level 2 Inputs ("Level 2 Assets"). The fair value of Level 2 Assets would use the quoted price from the exchanges which the Company most frequently uses, with no adjustment.

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, investments, and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts as at December 31, 2021. The majority of cash is deposited in bank accounts held primarily with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

For the custody of its digital currencies, the Company uses the services of two financial institutions through custodial agreements, one financial institution located in Liechtenstein and another in the United States.

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

Liquidity risk

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

Foreign currency risk

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

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

The Company's net monetary position in the significant foreign currencies as of December 31, 2021 is summarized below with the effect on earnings before tax of a 10% fluctuation of each currency relative to the functional currency of the entity holding it to the US dollar:

| | Net Monetary Position December 31, 2021 (USD\$ equivalent) | Impact of 10% variance in foreign exchange rate (in foreign currency) |
|------------------|--|---|
| US Dollars | 76,129,811 | 6,920,892 |
| Canadian Dollars | 365,044 | 26,787 |
| Swiss Francs | (153,914) | 14,774 |
| Swedish Krona | 2,103,584 | 22,390 |
| Icelandic Krona | 1,486,757 | 1,071 |

Interest rate risk

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

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any significant price risks with respect to its financial instruments.

23. Digital Currency and Risk Management

Digital currencies are measured using Level 2 inputs (Note 10).

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

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies are not indicative of their future price performance. The Company's digital currencies currently consist of Ethereum, Ethereum Classic, and 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, 2021.

| | | Impact of 25% variance in price |
|------------------|----|---------------------------------|
| Ethereum | \$ | 21,228,049 |
| Ethereum Classic | | 8,054 |
| Bitcoin | | 20,786,754 |

24. Capital Management

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

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

The Company is subject to externally imposed capital requirements due to its term loan (Note 15). The Company's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2021.

25. Loss on Sale of Swedish Subsidiary

On March 31, 2021, the Company completed the sale of the net assets of Boden Technologies AB:

| | |
|-------------------------------|------------------------|
| Consideration: | |
| Cash | \$ 10 |
| Receivable ¹ | 1,821,454 |
| | <u>1,821,464</u> |
| Less: Net assets derecognized | (25,263,683) |
| Loss on disposal | \$ (23,442,219) |

¹Receivable is conditional upon ruling by the by the Swedish Tax Authority related to an ongoing value added tax process. If the ruling is favourable then the amounts will be received; otherwise the amounts will not be collectible. Management has assessed the collectability using a probability model under a range of scenarios and this receivable reflects the results of that process.

| | March 31, 2021 |
|--|-----------------------|
| Assets | |
| Current assets | |
| Cash and equivalents | \$ 464,123 |
| Amounts receivable and prepaids | 7,693,866 |
| | <u>8,157,989</u> |
| Receivable from Bikupa | 18,361,495 |
| Total assets | \$ 26,519,484 |
| Liabilities and equity | |
| Current liabilities | |
| Accounts payable and accrued liabilities | \$ 1,255,801 |
| Net Assets | \$ 25,263,683 |

As part of the sale, the Company incurred a loan payable of \$18,361,495 to Boden, of which \$1,224,102 is current. The loan payable has an amortization term of 15 years under which annual principal and interest payments are required. Interest is set at the Swedish Government Borrowing Rate +1%. The loan payable is contingently forgiven based on a favourable ruling from the Swedish Tax Authority on the ongoing value tax assessment.

26. Segmented Information

The Company operates in one segment, the mining and sale of digital currencies. External revenues are attributed by geographical location, based on the country from which services are provided.

| December 31, 2021 | Canada | Sweden | Iceland | Bermuda | Total |
|--------------------------------------|--------|--------|---------|----------------|----------------|
| Revenue from digital currency mining | \$ - | \$ - | \$ - | \$ 158,042,263 | \$ 158,042,263 |

| December 31, 2020 | Canada | Sweden | Iceland | Bermuda | Total |
|--------------------------------------|---------------|--------|---------|--------------|---------------|
| Revenue from digital currency mining | \$ 29,549,096 | \$ - | \$ - | \$ 3,728,657 | \$ 33,277,753 |

The Company's non-current tangible assets are located in the following jurisdictions:

| December 31, 2021 | Canada | Sweden | Iceland | Bermuda | Total |
|-----------------------|---------------|---------------|--------------|---------------|----------------|
| Data centre equipment | \$ 59,214,778 | \$ 15,601,471 | \$ 7,636,555 | \$ 24,604,938 | \$ 107,057,742 |
| ROU Asset | 1,327,961 | - | - | - | 1,327,961 |
| | \$ 60,542,739 | \$ 15,601,471 | \$ 7,636,555 | \$ 24,604,938 | \$ 108,385,703 |

| March 31, 2021 | Canada | Sweden | Iceland | Total |
|-----------------------|--------------|---------------|--------------|---------------|
| Data centre equipment | \$ 5,519,758 | \$ 12,849,969 | \$ 3,229,076 | \$ 21,598,803 |
| ROU Asset | 1,928,889 | 1,049,395 | - | 2,978,284 |
| | \$ 7,448,647 | \$ 13,899,364 | \$ 3,229,076 | \$ 24,577,087 |

27. Subsequent Event

Subsequent to the period ended December 31, 2021, the Company issued 46,154 common shares upon the exercise of stock options.

On January 11, 2022, each Special Warrant was deemed to be exercised into one Unit comprised of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant being a "Warrant"). Each Warrant is exercisable for one share on or before May 30, 2024, at an exercise price of C\$6.00 per Share.