

**SUPREME COURT  
OF BRITISH COLUMBIA  
VANCOUVER REGISTRY**

DEC 13 2018



**S1813432**

NO.  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

BETWEEN:

AB MINING LIMITED

PLAINTIFF

AND:

GLOBAL BLOCKCHAIN MINING CORP. and  
GLOBAL BLOCKCHAIN TECHNOLOGIES CORP.

DEFENDANTS

**NOTICE OF CIVIL CLAIM**

**This action has been started by the Plaintiff for the relief set out in Part 2 below.**

If you intend to respond to this action, you or your lawyer must

- (a) file a Response to Civil Claim in Form 2 in the above-named registry of this court within the time for Response to Civil Claim described below, and
- (b) serve a copy of the filed Response to Civil Claim on the Plaintiff.

If you intend to make a Counterclaim, you or your lawyer must

- (a) file a Response to Civil Claim in Form 2 and a Counterclaim in Form 3 in the above-noted registry of this court within the time for Response to Civil Claim described below, and
- (b) serve a copy of the filed Response to Civil Claim and Counterclaim on the Plaintiff and on any new parties named in the Counterclaim.

**JUDGMENT MAY BE PRONOUNCED AGAINST YOU IF YOU FAIL to file the Response to Civil Claim within the time for Response to Civil Claim described below.**

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## Time for Response to Civil Claim

A Response to Civil Claim must be filed and served on the Plaintiff,

- (a) if you were served with the Notice of Civil Claim anywhere in Canada, within 21 days after that service,
- (b) if you were served with the Notice of Civil Claim anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the Notice of Civil Claim anywhere else, within 49 days after that service, or
- (d) if the time for Response to Civil Claim has been set by order of the court, within that time.

## Part 1: STATEMENT OF FACTS

### The Parties

1. The plaintiff AB Mining Limited ("**All Blue**") is a corporation incorporated under the laws of the British Virgin Islands with an address for service in this proceeding care of Lawson Lundell LLP, 1600 – 925 West Georgia Street, British Columbia.

2. The defendant Global Blockchain Mining Corp. ("**Mining**") is a corporation incorporated under the laws of British Columbia with a registered and records located at Suite 810, 789 West Pender Street, Vancouver, British Columbia.

3. The defendant Global Blockchain Technologies Corp. ("**Global**") is a corporation incorporated under the laws of British Columbia with a registered and records located at Suite 810, 789 West Pender Street, Vancouver, British Columbia.

### Overview

4. This case relates to the purchase and sale of specialized computers used to "mine" the digital currency bitcoin. Bitcoin mining (which is described below) is relatively complex, but the bargain between the parties was simple. All Blue promised to purchase specified machines and deliver them to Mining. In exchange, Mining promised to list its shares on the Canadian Securities Exchange ("**CSE**") and then issue to All Blue shares worth \$37.5 million, subject to certain agreed-upon adjustments. If Mining did not list and deliver these shares by

June 15, 2018 then its parent company, Global, promised to deliver \$37.5 million worth of *its* shares, subject to the same adjustments.

5. All Blue kept its promises. Global and Mining did not. Specifically, All Blue purchased the machines it promised to purchase. It even agreed to purchase and deliver *newer and more energy efficient* machines instead of those required by its agreement with Mining and Global. Despite this, Mining did not deliver the promised shares on June 15, 2018 and Global refused to make good on its guarantee. Global and Mining then exacerbated their breach of contract by oppressive conduct that included a refusal to appoint a representative of All Blue to its board of directors (despite a specific obligation to do so), a failure to transfer certain promised assets to Mining and an inexplicable delay in putting the machines delivered by All Blue to productive use.

6. This conduct has caused significant damages to All Blue, which it is entitled to recover in this proceeding.

### **Background**

7. Bitcoin is a digital currency. It is “mined” using purpose-built computers running specialized software. At a very high level, the bitcoin mining process can be summarized as follows:

- (a) when a bitcoin transaction occurs, it is recorded together with other transactions occurring during the same time period;
- (b) this record is known as a block, and all of the blocks are collectively known as the blockchain;
- (c) in order to be added to the blockchain, a block must be converted into computer code known as a “hash”;
- (d) finding a block and converting it to a hash is a complicated process requiring thousands or millions of computations per second. Persons or entities that successfully complete this process are rewarded with new bitcoins in accordance with a pre-determined protocol; and

- (e) the process of finding and extracting bitcoins is referred to as mining, and efficient mining requires (among other things) powerful computers capable of running mining software quickly.

8. The value of bitcoin varies depending on a variety of market factors, like any asset. In 2017, the value of bitcoin increased substantially. Specifically, a bitcoin could be purchased or sold for approximately \$997 in January 2017. By December 16, 2017, a bitcoin cost approximately \$19,806. The value of bitcoin has decreased since December 2017, but its value remains high by historical standards. All Blue and Global began discussions about a potential transaction involving bitcoin mining machines in or around December 2017. On April 10, 2018, when the Agreement was executed, bitcoin was trading at \$6,830.

9. The increased value of bitcoin, and the continued adoption of the asset, notwithstanding the volatility, created significant demand for bitcoin mining machines. In the first quarter of 2018, the mining machine manufacturers could not keep up with demand. As a result, it was difficult and expensive to procure bitcoin mining equipment. Many would-be bitcoin miners were unable to secure the equipment that they required at an acceptable price, or at all.

#### **All Blue**

10. The Plaintiff, All Blue, is an experienced and well-known participant in the bitcoin market with offices in Toronto, Ontario and elsewhere. It is part of the All Blue Capital group, an investment firm with more than \$3 billion in capital deployed. All Blue Capital is among the largest institutional bitcoin owners, and also invests in selected bitcoin market participants. Because of All Blue Capital's significant presence in the bitcoin market, All Blue has built significant relationships with the manufacturers of bitcoin mining equipment. As a result of these relationships, it had the ability to procure bitcoin mining equipment when others could not.

11. All Blue had the ability to earn a significant profit by selling bitcoin mining equipment for cash, but it chose not to do so. Instead, it decided to sell equipment to selected bitcoin mining companies in exchange for shares in those companies. By partnering with

competent market participants, All Blue sought to benefit from the productive use of the bitcoin mining equipment that it could acquire.

### **Global and Mining**

12. The Defendant, Global, holds itself out as an investment company with significant experience and expertise relating to bitcoin and other cryptocurrencies. It claims to have a team comprised of “industry pioneers” with significant business and technical expertise. Global was previously listed on the Toronto Stock Exchange, but now trades on the CSE in Toronto, Ontario under the symbol BLOC.

13. On January 25, 2018, Global announced that it would pursue a plan of arrangement that would create a new company, Mining, to hold Global’s cryptocurrency mining assets. This “spinout” transaction was approved by Global’s shareholders at a shareholders’ meeting held April 10, 2018.

14. Global represented to investors, and to All Blue, that Mining would hold significant assets including a significant number of bitcoin mining machines, a significant interest in Coinstream Mining Corp and a number of additional assets (the “**Promised Assets**”).

### **The Agreement**

15. In or around December 2017, Global was in the market for bitcoin mining machines but it could not procure them. As noted, All Blue had access to such machines, and was prepared to procure the machines, pay for them and sell them in exchange for shares in viable bitcoin mining companies.

16. Accordingly, All Blue, Global and Mining entered into negotiations relating to the potential purchase and sale of bitcoin mining machines. The parties agreed to the terms of an Asset Purchase Agreement (the “**Agreement**”) in March 2018, and the Agreement was executed on or around April 10, 2018.

17. Pursuant to the Agreement, Mining agreed to purchase 2,500 Ebit Miner E9+ machines and 1,500 Ebit Miner E.9.2 machines from All Blue, together with all warranties and warranty rights provided by the manufacturer of the machines (collectively, the “**Purchased Assets**”). All Blue agreed that it would buy the Purchased Assets from Ebang Communications,

a company based in Hangzhou, China, and make them available to Mining at a secure warehouse at the Shanghai airport. Mining was responsible for collecting the machines and shipping them to its mining facilities.

18. Mining agreed to pay CAD\$37,500,000 for the Purchased Assets. This purchase price was to be satisfied by Mining by issuing to All Blue 85,227,273 common shares of Mining (the “**Mining Shares**”), subject to certain adjustments set out in the Agreement.

19. All Blue was only prepared to accept securities that were listed on a public exchange, and could be sold immediately, as payment for the Purchased Assets. For this reason, the Agreement required that the Mining Shares be free of all encumbrances (as defined in the Agreement) and were to be issued to All Blue on the earlier of (a) the day that Mining’s shares were listed on the CSE, or (b) June 15, 2018.

20. The Agreement also provided for a guarantee of the purchase price by Global (the “**Global Guarantee**”). If Mining’s shares were not listed on the CSE by June 15, 2018, Global agreed to issue to All Blue the number of common shares of Global equal to \$37,500,000, divided by the twenty-day volume weighted average price of those shares.

21. The precise number of shares to be issued to All Blue was subject to certain adjustments set out in the Agreement. One of those adjustments provided that in the event All Blue did not deliver all of the Purchased Assets within 30 days of the closing date specified by the parties, then Mining would be entitled to issue only the number of Mining Shares required to pay for the part of the Purchased Assets actually delivered on a *pro rata* basis.

22. The parties knew there was a possibility that the mining machines would be collected before the purchase price was paid, because of uncertainty relating to when Mining’s shares would be listed on the CSE. The parties agreed that All Blue would be entitled to any bitcoins mined using the Purchased Assets after they were collected by Mining but before the purchase price was paid, subject to an adjustment for the power consumed mining these bitcoins. This agreement (the “**Interim Revenue Agreement**”) was reached on April 5, 2010, after the parties finalized the Agreement but before it was executed. It was an implied term of the Interim Revenue Agreement that Mining would immediately deploy the Purchased Assets to generate revenue.

**All Blue performed its obligations under the Agreement**

23. The Agreement provided that All Blue would provide 2,500 Ebit Miner E9+ machines and 1,000 Ebit Miner E10 machines.

24. In May 2018, Global asked if All Blue would deliver newer, technologically superior Ebit Miner E.9.2 machines rather than the Ebit Miner E10 machines contemplated by the Agreement. All Blue successfully negotiated with the manufacturer of the machines to provide Ebit Miner E.9.2 machines, although it had no obligation to do so. All Blue advised Global that the delivery of these machines could be delayed because of the high demand for E.9.2 machines.

25. The parties memorialized these changes by entering into an addendum to the Agreement (the “**Addendum**”). The Addendum contemplated that the newly substituted machines would be shipped towards the end of June 2018.

26. All Blue purchased 2,500 Ebit Miner E9+ machines and 500 Ebit Miner E.9.2 machines and delivered them in accordance with the Agreement. As expected, the remaining 1,000 Ebit Miner E.9.2 machines were not available until the end of June 2018. By this time, Mining and Global had fundamentally breached the Agreement.

**Global's Breach of the Agreement**

27. As noted above, All Blue fulfilled all of its obligations under the Agreement. Mining and Global did not. They refused (and continue to refuse) to pay the purchase price for the goods that they received.

28. The shares of Mining were not listed for sale by June 15, 2018. The parties had specifically agreed that, if Mining did not deliver publically listed shares by this deadline, All Blue would be entitled to enforce the Global Guarantee. Accordingly, after certain adjustments required by the Agreement, All Blue was entitled to delivery of 62,830,357 shares of Global on June 15, 2018. All Blue then demanded that Global make good on the Global Guarantee.

29. Global ignored All Blue's demand. In fact, it ignored All Blue completely. Global personnel did not respond to repeated e-mails and voicemails from All Blue.

30. On July 17, 2018, Mining purported to issue 62,830,357 of its shares to All Blue. This is not what the Agreement required. The Agreement specifically required that All Blue receive shares of *Global* if Mining shares were not delivered on or before June 15, 2018. Global and Mining did not bargain for – and did not have – the right to deliver Mining shares after that deadline. The 62,830,357 Global shares to which All Blue was entitled were worth approximately four times as much as the Mining shares that All Blue received.

31. Furthermore, the Mining shares delivered to All Blue were not, at the time of delivery, listed on any stock exchange. This was a further breach of the Agreement. Although Mining's shares were subsequently listed on the CSE, the shares delivered to All Blue were subject to a trading restriction for four months. Mining specifically agreed that its shares would not be encumbered when delivered to All Blue, and the Global shares that All Blue is entitled to under the Agreement are, and were on the required delivery date, freely tradeable.

32. Moreover, the Mining shares delivered to All Blue do not come close to satisfying the purchase price. As noted, Mining has an obligation to deliver shares worth \$37.5 million, subject to certain adjustments. As of close of trading on July 18, 2018 (the first date on which Mining's shares were listed on the CSE), the market capitalization of Mining was only \$28,948,500. Thus, the total value of *all* the shares of Mining was much less than what was owed to All Blue under the Agreement.

33. All Blue did not accept the shares that Mining purported to deliver. It insisted, and continues to insist, that Global fulfill its obligations under the Agreement.

#### **Defendants' Breach of Contract and Oppression Relating to the Operation of Mining**

34. As noted above, All Blue entered into the Agreement to further its strategy of partnering with competent and productive bitcoin mining companies. It entered into the Agreement because Mining held itself out as such a company.

35. All Blue is not a passive investor. It is an active cryptocurrency market participant. It has access to a deep network of contacts in the blockchain space, industry insight and significant execution expertise. It reasonably expected that it would be able to deploy this expertise to increase the value of its investment. Accordingly, All Blue negotiated the right to



have its nominee appointed to Mining's Board of Directors. Despite its clear contractual obligation, and requests from All Blue, Mining has refused to appoint All Blue's representative to its board.

36. Furthermore, All Blue reasonably expected that Mining's business would be carried out competently, and that the Mining spinout transaction would be completed in accordance with Global's public statements and representations made directly to All Blue. Specifically, All Blue stated publically that it would transfer the Promised Assets to Mining as part of the spinout transaction. In addition, Mining and Global represented to All Blue that Mining would acquire approximately 25,000 mining machines before its shares were listed for sale. These assets would, according to Global and Mining, result in Mining having a market capitalization of approximately \$300 million.

37. In addition, All Blue reasonably expected that Mining could and would deploy the Purchased Assets shortly after they were delivered. However, Mining would not or could not operate the machines. Cryptocurrency mining machines require specialized energy sources and cooling systems in order to run efficiently, making suitable hosting facilities an integral part of a cryptocurrency mining business.

38. After executing the Agreement, All Blue learned that Global and Mining did not in fact have access to hosting facilities for the Purchased Assets. All Blue assisted in obtaining hosting facilities, but Mining was unable or unwilling to operate the Purchased Assets once it received them. Since the machines were not operating, they could not generate value for Mining stakeholders. By leaving a substantial portion of the Purchased Assets idle, Mining breached the Interim Revenue Agreement.

39. Further, or in the alternative, this conduct violates All Blue's reasonable expectations, and is oppressive, unfairly prejudicial to, and disregards the interests of All Blue.

**All Blue has suffered significant damages**

40. As described above, Global and Mining breached the Agreement by ignoring their most fundamental obligations to All Blue. This has caused significant damages to All Blue. Among other things:

- (a) But for the breach, All Blue would have received more than 62 million shares of freely tradable Global shares. It has been denied the value of the Global shares that it was entitled to. It is entitled to damages to compensate it for that loss, including the future profits it would have earned as an owner of Global shares;
- (b) Alternatively, All Blue deployed significant capital to fulfill its obligations under the Agreement. It has suffered damages equal to the cost of this capital plus the additional return on monies it could have earned through its deployment; and,
- (c) Mining used some of the Purchased Assets to mine bitcoin before delivering any shares to All Blue. Pursuant to the Interim Revenue Agreement, All Blue is entitled to these bitcoins, less an adjustment for the cost of production. Mining breached the Interim Revenue Agreement by not immediately deploying all of the Purchased Assets and by keeping the bitcoins that it mined using the Purchased Assets for itself. This is a breach of the Interim Revenue Agreement, and Mining is liable for breach of contract in an amount sufficient to purchase at least 281.3 bitcoins.

41. Further, or in the alternative, Global and Mining have been unjustly enriched by their breach. Mining received mining machines that are both valuable and hard to obtain, and neither it nor Global has paid anything for them. There was a corresponding deprivation of All Blue, because it paid for the machines and delivered them without receiving anything in return. There is no juristic reason for this enrichment or deprivation. All Blue is entitled to damages for unjust enrichment.

42. Global and Mining's conduct, as described above, displays a wanton contumelious disregard for All Blue's rights and interests. This conduct warrants an award of punitive and exemplary damages.

**Part 2: RELIEF SOUGHT**

43. All Blue claims:

(a) As against both Defendants:

- (i) damages for breach of contract in the amount of \$37,500,000;
- (ii) in addition, and not in the alternative, damages for breach of contract equal to the profits that All Blue would have earned but for the Defendants' breach of the Agreement;
- (iii) in the alternative, damages for unjust enrichment;
- (iv) punitive and exemplary damages in an amount to be proven at trial;
- (v) interest in an amount equal to the return on capital that All Blue would have earned but for the Defendants' breach of the Agreement;
- (vi) in the alternative to (v) above, pre-judgment and post-judgment interest on all amounts claimed herein pursuant to the *Court Order Interest Act*, R.S.B.C. 1996, c. 79, as amended;
- (vii) costs of this proceeding and of the proceeding commenced by All Blue in the Ontario Superior Court of Justice in Court File Number CV-18-602866-00CL; and
- (viii) such further and other relief as this Honourable Court deems just.

(b) As against Mining:

- (i) damages for breach of contract in an amount sufficient to purchase 281.3 bitcoins;
- (ii) in the alternative to (a) above, a declaration pursuant to section 227 of the *Business Corporations Act*, S.B.C. 2002, c.57 (the "BCBCA"), that the affairs of Mining have been conducted in a manner oppressive to All Blue

and that acts of Mining are unfairly prejudicial to and have unfairly disregarded the interest of All Blue;

- (iii) in the alternative to (a) above, an order rectifying Mining's oppression by:
  - (1) directing Mining to appoint a nominee of All Blue to its board of directors and permit such nominee to remain on its board of directors until All Blue is no longer a shareholder or creditor of Mining or Global; and
  - (2) an order directing Mining to forthwith commence operation of the Purchased Assets.

(c) As against Global:

- (i) in the alternative to (a) above, a declaration pursuant to section 227 of the BCBCA that the affairs of Global have been conducted in a manner oppressive to its shareholders and to All Blue and that acts of Global are unfairly prejudicial to All Blue;
- (ii) in the alternative to (a) above, an order rectifying Global's oppression by:
  - (1) requiring immediate delivery of 62,830,357 shares of Global to All Blue;
  - (2) requiring, on the date that is six months from the closing date specified in the Agreement, delivery of the number of shares of Global owing pursuant to the share settlement adjustment provision of the Agreement to All Blue, which number of shares is to be proven at trial; and
  - (3) in the alternative to subparagraphs (c)(ii)(1) and (c)(ii)(2) above, an Order requiring that Global transfer the Promised Assets to Mining.

**Part 3: LEGAL BASIS**

44. The Defendants breached the Agreement and the Interim Revenue Agreement and are liable for the damages suffered by All Blue as a result of their breach of contract.

45. Further, or in the alternative, the Defendants were unjustly enriched at the expense or to the detriment of All Blue without juristic reason.

46. Further, or in the alternative, the affairs of Mining and Global have been conducted in a manner that is oppressive and unfairly prejudicial to its shareholders and to All Blue, and All Blue claims remedies under section 227 of the BCBCA as a result.

Plaintiff's address for service is c/o the law firm of Lawson Lundell LLP, whose place of business and address for service is 1600 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2 (Attention: Marko Vesely).

Fax number address for service is: (604) 669-1620.

Place of Trial: Vancouver, British Columbia

The address of the Registry is: 800 Smithe Street, Vancouver,  
British Columbia V6Z 2E1

Dated at the City of Vancouver, in the Province of British Columbia, this 13<sup>th</sup> day of December, 2018.

  
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Marko Vesely  
Lawyer for the Plaintiff

This Notice of Civil Claim is filed by:

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Rule 7-1(1) of the Supreme Court Civil Rules states:

- (1) Unless all parties of record consent or the court otherwise orders, each party of record to an action must, within 35 days after the end of the pleading period,
  - (a) prepare a list of documents in Form 22 that lists
    - (i) all documents that are or have been in the party's possession or control and that could, if available, be used by any party at trial to prove or disprove a material fact, and
    - (ii) all other documents to which the party intends to refer at trial, and
  - (b) serve the list on all parties of record.