

**SKYCHAIN TECHNOLOGIES INC.**  
Management Discussion and Analysis  
For the Three Months Ended June 30, 2021

This management discussion and analysis of the financial position and results of operation (“MD&A”) for SkyChain Technologies Inc. (“SkyChain” or the “Company”) is prepared as at August 30, 2021 and is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the audited financial statements for the year ended March 31, 2021, and the unaudited interim consolidated financial statements for the three months ended June 30, 2021 which were prepared in accordance with the International Financial Reporting Standards (“IFRS”).

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

#### **FORWARD-LOOKING STATEMENT**

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to internet and social media industry (see section “Business Risks” herein) Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

#### **DESCRIPTON OF BUSINESS**

SkyChain Technologies Inc. (“SkyChain” or the “Company”) was incorporated in British Columbia and is a public company listed on the TSX Venture Exchange. The Company’s registered office and principal business address is 500 – 1112 West Pender Street, BC.

On September 18, 2018, the Company completed the acquisition of MiningSky Technology Ltd. (“MiningSky”) and the change of business process. MiningSky was incorporated under the Business Corporations Act (British Columbia) on November 10, 2017. On March 7, 2018 MiningSky incorporated a wholly-owned subsidiary MiningSky USA, Inc. (“MiningSky USA”) in Washington, United States. On March 27, 2020 Skychain incorporated its wholly owned subsidiary MiningSky Technologies (Maniboba) Inc. in the province of Manitoba (“MiningSky Manitoba”). MiningSky and Miningsky Manitoba are involved in the business of providing cryptominers with all-in-one solution with warehouse space, low-cost electricity, and maintenance and hosting services.

On April 26, 2021 the Company and a joint venture partner (the “JV Partner”) jointly incorporated Skyrendering Technologies Inc. (“Skyrendering”) under the laws of British Columbia to establish a rendering farm and data center. On June 29, 2021 the Company and the JV Partner signed an investment agreement whereby the Company and the JV Partner make a capital investment of \$600,000 and \$600,001 respectively in exchange for 600,000 and 600,001 common shares respectively of Skyrendering common shares. At any time after October 26, 2023 the JV Partner has the option to require the Company to repurchase all of the JV Partner’s common shares of Skyrendering at \$1.00 per share, for which the Company has the option to issue common shares of the Company subject to approval of the TSX Venture Exchange.

On July 5, 2021 the Company incorporated Miningsky Container Ltd. (“Miningsky Container”) under the laws of British Columbia to be engaged in the business of manufacturing and marketing containers for use in cryptocurrency mining. In accordance with MiningSky Container’s shareholder investment agreement executed on August 6, 2021 the Company will make a capital investment of \$250,000 in exchange for 25% of the total common shares issued and outstanding.

The Company began trading as a Tier 2 Technology Issuer on the TSX Venture exchange on September 25, 2018. On May 4, 2021 the Company’s common shares were listed on the OTCQB Venture Marketplace for trading.

## **BUSINESS UPDATE**

The Company currently has the following projects:

### Manitoba

In June, 2020, the Company entered into a lease agreement to lease, construct, and operate a cryptocurrency mining hosting facility in Birtle, Manitoba. The funding for the Birtle Facility was secured in June 2021, and construction is expected to be completed near the end of 2021. The facility will have the capacity to host 12 megawatts (MW) of cryptocurrency mining. The Company signed a hydro infrastructure construction agreement with Manitoba Hydro for which approximately \$400,000 has been paid as at the date of this report. The Company anticipates a power-on date around December 2021.

In July, 2021 the Company entered into an agreement to purchase real estate Manitoba in cash to develop a crypto mining site of approximately 22MW capacity on the property. Closing of the transaction is subject to the Company’s successful due diligence on the property and the approval of the TSX Venture Exchange. A refundable deposit of \$250,000 was paid to the vendor of the real estate.

### Vancouver, British Columbia

In April, 2021 the Company establish a joint venture company SkyRendering Technologies Inc. (“SkyRendering”) to provide premier visual effects (VFX) rendering services to the film and entertainment industry. SkyRendering expects to conduct its business from a rendering farm and data center located in the province of British Columbia, Canada. SkyRendering endeavors to have its rendering business up and running by the end of September 2021.

In March, 2021 the Company together with its strategic technology partners successfully conducted a PoC (Proof of Concept) testing for a new cloud gaming platform in Vancouver. As the next step for the cloud gaming project, the Company will launch a commercial cloud gaming platform at scale to serve Quebec and the greater Toronto and Vancouver regions in different phases. SkyChain expects this rollout will provide a boost to the Canadian innovative digital content industry. Development for this project will continue for the next two to three years.

In July, 2021 the Company established a new joint venture company MiningSky Container to provide container manufacturing in Canada and the United States. The Company will make a capital investment of \$250,000 in exchange for 25% of the total common shares issued and outstanding.

In March, 2018 MiningSky entered into a lease agreement with the West Point Rail and Timber Co. Ltd. to lease a portion of land, building and office space at West Point Rail’s Houston, B.C. property (the “Houston Facility”). The lease expired on March 31, 2020 and operations on Houston Facility ceased in July, 2020. Upon expiration of the Houston Facility lease, in August, 2020 the Company signed a Letter of Intent to purchase a 20MW crypto mining hosting facility in Sherbrooke, Quebec and migrated all its miners to the facility. No definitive agreement was signed in accordance with the Letter of Intent. The Company ceased to provide miner hosting services at the Sherbrooke site upon termination of the Letter of Intent.

## SELECTED FINANCIAL DATA

The following selected financial information is taken from the unaudited financial statements for the three months ended June 30, 2021 and audited financial statements for the years ended March 31, 2021 and 2020, and should be read in conjunction with those financial statements.

	Three Months Ended June 30, 2021 \$ (Unaudited)	Year Ended March 31, 2021 \$ (Audited)	Year Ended March 31, 2020 \$ (Audited)
<b>Operations:</b>			
Revenue	-	2,565,131	2,746,936
Net loss	(547,087)	(1,240,591)	(1,341,997)
Basic and diluted loss per share	(0.03)	(0.09)	(0.17)
<b>Balance Sheet:</b>			
Working Capital (deficiency)	478,412	(2,546,597)	(1,330,322)
Total Assets	5,172,735	1,518,446	1,740,603
Total long-term liabilities	1,214,476	31,306	187,483

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited selected financial information for each of the last eight quarters ended June 30, 2021 in accordance with IFRS.

	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020
Total assets	\$ 5,172,735	\$ 1,518,446	\$ 1,662,460	\$ 1,882,205
Working capital (deficiency)	478,412	(2,546,597)	(1,491,252)	(1,612,882)
Shareholders' equity (deficiency)	1,096,151	(1,171,992)	(495,644)	(482,244)
Net loss	(547,087)	(672,898)	(13,400)	(249,582)
Net loss attributable to equity holders of the Company	(519,753)	(672,898)	(13,400)	(249,582)
Basic and diluted loss per share	(0.03)	(0.05)	(0.00)	(0.02)

	Three Months Ended June 30, 2020	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019	Three Months Ended September 30, 2019
Total assets	\$ 1,799,941	\$ 1,740,603	\$ 2,333,707	\$ 2,276,096
Working deficiency	(1,384,317)	(1,330,322)	(585,364)	(668,725)
Shareholders' deficiency	(232,291)	(238,768)	350,765	468,526
Net loss	(304,711)	(598,734)	(255,348)	(181,324)
Net loss attributable to equity holders of the Company	(304,711)	(598,734)	(255,348)	(181,324)
Basic and diluted loss per share	(0.03)	(0.05)	(0.04)	(0.03)

## RESULTS OF OPERATION

During the three months ended June 30, 2021 the Company's financial position and operation results include those of the Company and its 100% owned subsidiaries MiningSky, MiningSky USA and MiningSky Manitoba and its 50% owned but controlled Skyrendering.

During the year ended March 31, 2021 the Company's financial position and operation results include those of the Company its 100% owned subsidiaries MiningSky, MiningSky USA MiningSky and Manitoba.

All inter-company transactions and balances are eliminated.

### Three months ended June 30, 2021 in comparison to three months ended June 30, 2020

During the three months ended June 30, 2021, the Company incurred net loss of \$547,087 (three months ended June 30, 2020 - \$304,711).

The Company generated no hosting services in the three months ended June 30, 2021, incurred and recorded operating cost of \$27,178 operating costs in relation to the hosting service revenue generated in previous periods. In the three months ended June 30, 2020, the Company generated hosting service revenue of \$1,081,122, incurred operating cost of \$1,132,730 and recorded \$103,025 of amortization costs related to equipment, containers, transformers and leasehold improvement at Houston site.

Total operating expenses increased from \$194,907 in the three months ended June 30, 2020 to \$661,159 in the three months ended June 30, 2021 as the Company expanded its operations to Manitoba and commenced its Skyrendering operation and incurred higher expenditures as follows:

	<b>Three Months Ended June 30, 2021</b>	<b>Three Months Ended June 30, 2020</b>
Accounting fees	26,675	7,960
Accretion and interest	22,634	12,571
Depreciation of right-of-use assets	26,744	25,561
Consulting	69,785	6,535
Legal fees	64,919	2,589
Marketing and corporate communication	166,773	7,720
Office and miscellaneous	32,424	27,272
Filing and listing fees	25,369	2,250
Salary and benefits	213,415	98,977
Travel	11,191	983

During the three months ended June 30, 2021 the Company received \$90,690 from the federal government of Canada as assistance during the outbreak of the COVID-19 pandemic, and recorded gain on sale of assets of \$50,560. In the three months ended June 30, 2020 the Company recorded gain on subleasing the office of \$44,829. These items were recorded as other income during their respective periods.

Skyrendering's financial information for the three months ended June 30, 2021 is as follows, 50% of Skyrendering's net losses are attributed to the Company's equity holders.

	<u>June 30, 2021</u>
Current assets	\$ 756,015
Non-current assets	418,400
Total Assets	<u>\$ 1,174,415</u>
Current and total liabilities	<u>29,083</u>
	Three Months Ended
	<u>June 30, 2021</u>
Expenses	54,668
Net loss and comprehensive loss	<u>(54,668)</u>

### Year ended March 31, 2021 in comparison to year ended March 31, 2020

During the year ended March 31, 2021, the Company incurred net loss of \$1,240,591 (2020 - \$1,341,997). The losses are mainly comprised of the following items:

- The Company generated hosting service revenue of \$2,529,131 (2020 - \$2,580,164) and incurred operating cost of \$2,719,654 (2020 - \$2,530,756) and \$154,572 (2020 - \$793,629) of amortization costs related to equipment, containers, transformers and leasehold improvement at Houston site;
- The Company also generated revenue from the sales of goods of \$36,000 (2020 - \$161,772) and consulting income of \$Nil (2020 - \$5,000). The costs of the goods sold was \$48,792 (2020 - \$85,497);
- Accounting and audit fees of \$133,420 (2020 - \$96,478) included \$34,500 (2020 - \$27,952) paid to a company controlled by the current CFO, and the remaining amount were audit and tax preparation fees;
- The Company recorded accretion and interest of \$54,129 (2020 - \$43,541) on loans and lease liabilities;
- Legal fees of \$30,825 was mainly related to the corporate matters of the Company in the year ended March 31, 2021, compared to a total of \$98,787 on litigation and corporate matters in the year ended March 31, 2020;
- Marketing and corporate communication fees of \$53,415 increased from \$3,509 in the year ended March 31, 2020 included, as the Company started to increase its presence in the market during the year;
- Office and miscellaneous of \$41,634 (2020 - \$46,633) was for office telephone, internet, supplies, meals & entertainment, and rent;
- Salary and benefits of \$681,687 increased from \$223,059 during the year ended March 31, 2020 as the Company expanded its operations in the current year;
- Registration and filing fees increased to \$14,553 from \$5,770 in 2020 as the Company had more reportable transactions during the current year;
- Transfer agent fees decreased to \$6,791 from \$11,406 in the previous year as the Company had fewer equity transactions in the current year; and
- Travel expenses of \$22,796 (2020 - \$25,041) were mainly for trips between Vancouver and Houston site and MiningSky USA, and trips to investigate new potential sites.

### LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Net cash used in operating activities for the three months ended June 30, 2021 and 2020 was \$492,719 compared to net cash of \$147,598, respectively.

During the three months ended June 30, 2021 and 2020 net cash of \$998,014 and \$220,125 was used in investing activities, respectively.

During the three months ended June 30, 2021 and 2020 net cash of \$3,991,471 and \$319,904 was raised from financing activities, respectively.

The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the next 12 months.

## **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### Key management compensation

The Company has identified its directors and certain senior officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company, as key management personnel. Key management personnel compensation is comprised of the following:

	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>
Salaries, CEO	\$ 40,000	\$ 18,000
Salaries, CFO	16,800	7,000
Consulting fee, a director	15,000	-
Total	\$ 71,800	\$ 25,000

As at June 30, 2021, the Company owed \$20,000 to the CFO of the Company.

### Other transactions

During the three months ended June 30, 2021 and 2020 the Company incurred expenditures of \$1,500 for internet service with Vling E Business (“Vling”), a company controlled by the CEO. As of June 30, 2021, an amount of \$158,458 (March 31, 2021 - \$127,956) is included in due to related parties.

During the three months ended June 30, 2021 the Company advanced \$6,000 from a private company controlled by a director and of which the CEO is a shareholder. As of June 30, 2021 the balance of \$9,000 (March 31, 2021 - \$3,000) is included in due to related parties. An additional \$31 was owed to the Director on March 31, 2021.

The above amounts due to related parties are unsecured, non-interest bearing, and have no specific term of repayment.

### Related party loans

During the year ended March 31, 2021, the Company extended a promissory note of \$250,000 from the CEO of the Company, which bears a simple annual interest rate of 6%, is unsecured, and repayable upon demand. During the three months ended June 30, 2021 interest expense of \$2,711 was recorded on the loan. As at June 30, 2021, a total loan principal and accrued interest of \$253,205 was outstanding, which was repaid in July, 2021.

During the year ended March 31, 2021, the Company extended a promissory note of \$63,300 from a director of the Company, which bears a simple annual interest rate of 4%, is unsecured, and repayable upon demand. During the three months ended June 30, 2021 an interest expense of \$548 was recorded on the loan and the total loan principal and accrued interest of \$63,890 was repaid in June, 2021.

## **FINANCIAL AND CAPITAL RISK MANAGEMENT**

As at June 30, 2021, the Company's financial instruments comprised cash, receivables, accounts payable, due to related parties, long-term loan, government loan, and lease liabilities. With the exception of cash, which is measured at FVTPL, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities.

Financial instruments measured at fair value on a recurring basis are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

At June 30, 2021, cash of \$2,504,197 (March 31, 2021 - \$2,926) was classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the period.

### ***Currency risk***

A minor portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in these currencies. A change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows. However, as the Company does not maintain significant cash balances in foreign currencies and settles any transactions in foreign currencies quickly, its exposure to currency risk is considered insignificant as at June 30, 2021.

### ***Credit risk***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is limited to its cash. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at June 30, 2021, the Company had a cash balance of \$2,504,197 to settle current liabilities of \$2,289,442. The Company needs to raise additional funds to sustain its operation for the next 12 months. As described in Note 1, the Company's access to financing is always uncertain. There can be no assurance of continued access to adequate equity funding.

Contractual undiscounted cash flow requirements for financial liabilities as at June 30, 2021 are as follows:

	<1 year	2 - 4 Years	Total
Accounts payable and accrued liabilities	\$ 1,551,024	\$ -	\$ 1,551,024
Due to related parties	420,694	-	420,694
Lease liabilities	19,747	-	19,747
Government loan	-	40,000	40,000
Convertible loan	-	2,000,000	2,000,000
	<u>\$ 1,991,465</u>	<u>\$ 2,040,000</u>	<u>\$ 4,031,465</u>

### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's related party loans bear simple annual interest rates of 4% and 6%. The Company's exposure to interest rate risk is insignificant.

### ***Price risk***

The Company is providing hosting services to cryptocurrency miners. Although the Company does not mine cryptocurrency by itself, the fluctuation of cryptocurrency prices will affect the Company's customers and therefore the Company's operation indirectly.

### ***Capital management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company relies mainly on equity issuances and loans from related parties to raise new capital. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of operating expenditures and monitors actual expenditures compared to the estimates in an effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs for the current year. These financing activities may include issuances of additional debt or equity securities.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

## **SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting estimates and policies are included in Notes 3 and 4 of its audited consolidated financial statements for the year ended March 31, 2021.



## **OFF BALANCE SHEET ARRANGEMENT**

The Company has no off-balance sheet arrangements.

## **COMMITMENTS**

The Company leases two offices for a monthly total lease amount of \$21,325 commencing on August 1, 2021 and expiring July 31, 2022.

## **SHARE CAPITAL**

### *Authorized*

Unlimited common shares without par value

### *Outstanding*

As at the date of this report 18,819,071 common shares are issued and outstanding.

### *Share subscription repayable*

During the year ended March 31, 2021 the Company received \$286,729 as subscription for 301,820 private placement units at \$0.95 per unit. This private placement was cancelled and the amount was returned to the subscribers during the three months ended June 30, 2021.

### *Common shares issued from April 1, 2020 to the date of this report*

- 1) Issued 1,580,000 common shares for warrants exercised at \$0.06 per share for gross proceeds of \$94,800 of which \$40,800 was received during the year ended March 31, 2020.
- 2) Closed a non-brokered private placement by issuing 1,250,000 units of the Company at \$0.20 per unit. Each unit consists of one common share and half a common share purchase warrant (the "Warrant"), with two Warrants entitling the holder thereof to purchase one common share of the Company at an exercise price of \$0.30 per share for a period of one year. Gross proceeds from this private placement of \$250,000 were allocated to share capital and \$Nil to warrants using the residual method. The Company paid \$73 in legal fees related to the private placement.
- 3) On June 3, 2021 the Company closed a non-brokered private placement by issuing 2,631,579 units at \$0.76 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at \$1.22 for three years from June 3, 2021.
- 4) On June 3, 2021 the Company issued 243,590 common shares to settle debt of \$190,000 at \$0.78 per share.
- 5) On June 10, 2021 the Company issued 25,000 common shares for warrants exercised at \$0.30 per share.
- 6) In July, 2021 the Company closed the first tranche of private placement by issuing 516,395 units at \$0.78 per unit for gross proceeds of \$402,788. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common shares of the Company at \$1.50 per share for six months from the closing.
- 7) In August, 2021 the Company closed a private placement by issuing 619,500 units at \$0.80 per unit for gross proceeds of \$495,600. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common shares of the Company at \$1.20 per share for two years from the closing.

## ***Warrants***

A summary of share purchase warrant activity is as follows:

	Number of warrant: #	Exercise price \$
Balance, March 31, 2020	4,032,000	0.13
Exercised	(1,580,000)	0.06
Expired	(412,000)	0.06
Expired	(2,040,000)	0.20
Issued	312,500	0.30
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Balance, March 31, 2021	312,500	
Exercised	(25,000)	0.30
Expired	(287,500)	0.30
Issued	2,631,579	1.22
Issued	516,395	1.50
Issued	619,500	1.20
Balance, August 30, 2021	3,767,474	

As at the date of this report, the following warrants were outstanding:

Number of warrants	Exercise price \$	Expiry date
2,631,579	1.22	June 3, 2024
516,395	1.50	January 16, 2022
619,500	1.20	August 20, 2023
3,767,474		

## ***Stock options***

The Company has established a stock option plan for directors, employees, and consultants. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The exercise price of each option is based on the market price of the Company's stock for a period preceding the date of grant. The options can be granted for a maximum term of five years. The vesting periods of stock options issued under the plan are determined at the discretion of the Board of Directors.

There were no stock options outstanding as at March 31, 2021 and 2020. There were no stock option transactions during the years ended March 31, 2021 and 2020.

On July 8, 2021 the Company granted 950,000 options to directors and officers of the Company. The options are exercisable into the Company's common shares at \$0.80 per share for two years. All these options are outstanding as at the date of this report.

## **SUBSEQUENT EVENTS**

Besides the above equity transactions following material transactions took place after June 30, 2021

- a) In July 23, 2021, the Company entered into an agreement to purchase real estate in the province of Manitoba in cash for the purpose of developing a crypto mining site of approximately 22MW capacity on the property. Closing of the transaction is subject to the Company's successful due diligence on the property and the approval of the TSX Venture Exchange. A refundable deposit of \$250,000 was paid to the vendor of the real estate.
- b) On July 5, 2021, the Company incorporated MiningSky Container under the laws of the province of British Columbia to be engaged in the business of manufacturing and marketing containers for use in cryptocurrency mining. In accordance with MiningSky Container's shareholder investment agreement executed on August 6, 2021 the Company will make a capital investment of \$250,000 in exchange for 25% of the total common shares issued and outstanding, for which the Company made a contribution of \$159,550 in August, 2021.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

### **Management's responsibility for financial statements**

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## **BUSINESS RISKS**

The Company focuses on developing its hosting services business, providing cryptominers all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services. The Company's business involves a number of business risks, some of which are beyond the Company's control.

### **Crypto-currency industry**

The further development and acceptance of the crypto-currency industry is subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of crypto-currency may adversely affect an investment in the Company. Cryptocurrency may be used, among other things, to buy and sell goods and services which is a new and rapidly evolving industry subject to a high degree of uncertainty.

The factors affecting the further development of the crypto-currency industry include: (i) continued worldwide growth in the adoption and use of crypto-currency; (ii) government and quasi-government regulation of crypto-currency and their use, or restrictions on or regulation of access to and operation of crypto-currency systems; (iii) changes in consumer demographics and public tastes and preferences; (iv) the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and (v) general economic conditions and the regulatory environment relating to crypto-currency. A decline in the popularity or acceptance of crypto-currency would harm the business and affairs of the Company.

### **Malicious actors**

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to “mining” of the Company, it may be able to alter the blockchain on which crypto-currency transactions rely. In such circumstances, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new crypto-currency or transactions using such control. The malicious actor or botnet could double spend its own crypto-currency and prevent the confirmation of other users’ transactions for so long as it maintains control. Such changes could adversely affect an investment in the Company.

### **Insufficient miner incentives**

If the award of new crypto-currencies for solving transaction blocks declines, crypto-currency miners may not have an adequate incentive to continue mining and may cease their mining operations. Crypto-currency miners ceasing operations would reduce the collective processing power on the crypto-currency network, which would adversely affect the confirmation process for transactions by decreasing the speed at which transaction blocks are added to the blockchain until the next scheduled adjustment in difficulty for transaction block solutions. Any reduction in confidence in the confirmation process or processing power of the crypto-currency network may adversely impact the business and affairs of the Company.

### **Fluctuations in utility and operating costs associated with cryptomining ventures**

Due to the increased electricity consumption needs that cryptomining operations require, anything causing a spike or alteration in the behaviour of the utilities necessary to maintain operations will have an effect the Company’s services. Consequently, power outages will have an impact on the Issuer’s profitability. Any rising costs in utility associated costs or prices will have an effect on the resources required by MiningSky to supply cryptomining services.

### **Intellectual property rights claims may adversely affect operations**

Third parties may assert intellectual property claims relating to the holding and transfer of crypto-currency and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the crypto-currency network’s long-term viability or the ability of end-users to hold and transfer crypto-currency may adversely affect an investment in the Company. As a result, an intellectual property claim could adversely affect the business and affairs of the Company. Regulatory agencies could shut down or restrict exchanges. Regulatory agencies could shut down or restrict the use of platforms or exchanges that use virtual currencies. This could lead to a loss of any investment made in the Company and may trigger regulatory action by regulators.

### **Crypto-currency price fluctuations**

The price of crypto-currency has fluctuated widely over the past three years. There is no assurance that crypto-currency will maintain long-term value in terms of purchasing power in the future or that the acceptance of crypto-currency payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of crypto-currency declines, the value of an investment in the Company will likely decline.

### **Competition from other crypto-currency companies**

While the Miningsky Business is new, Miningsky already has competitors, and an expectation that additional competitors may enter the marketplace. Competition in this industry occurs on many fronts, including developing and bringing new products to market before others, developing new technologies to improve existing products, developing new products to provide the same benefits as existing products at less cost, developing new products to provide benefits superior to those of existing products, and acquiring or licensing complementary or novel technologies from other companies or individuals.

The Company may be unable to contend successfully with current or future competitors which include well capitalized technology companies, many of which are large, well-established companies with access to financial, technical and marketing resources significantly greater than the Company.

The Company's competitors may develop or acquire new or improved products that are similar to those offered by the Company, while not necessarily being direct competitors currently, or may make technological advances that reduce their cost of production so that they may engage in price competition.

### **Infringement of intellectual property rights**

While the Company believes that its intellectual property does not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. A number of the Company's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by the Company. Some of these patents may grant very broad protection to the owners of the patents.

The Company may become subject to claims by third parties that its technology infringes their intellectual property rights due to the growth of products in its target markets, the overlap in functionality of those products and the prevalence of products.

Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Company's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Company and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company.

Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, divert management's attention and focus away from the business, subject the Company to significant liabilities and equitable remedies, including injunctions, require the Company to enter into costly royalty or licensing agreements and require the Issuer to modify or stop using infringing technology.

### **Regulatory changes may result in extraordinary, non-recurring expenses**

The Company may be required to comply with regulations that may cause the Company to incur extraordinary expenses, possibly affecting an investment in the Company in a material and adverse manner. Compliance with such regulations may result in extraordinary and non-recurring expenses that may be disadvantageous to the Company.

### **Expansion risk**

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any inability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Technological advancements**

The markets for the Miningsky Business are characterized by rapidly changing technology and evolving industry standards, which could result in product obsolescence or short product life cycles. Accordingly, the Company's success will be dependent upon its ability to anticipate technological changes in the industries it serves and to successfully identify, obtain, develop and market new products that satisfy evolving industry requirements.

The success of the Company will depend on its ability to secure technological superiority in its services and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product and service offerings of the Company will not be required in order to meet demands or to remain competitive. The future success of the Company will be influenced by its ability to continue to adapt its products and hosting services. Although the Company has committed resources to improve its products and services, there can be no assurance that these efforts will increase profits.

### **Risk of obsolescence**

New developments in technology may negatively affect the development or sale of some or all of the Company's products and services or make its products and services obsolete. The inability of the Company to enhance existing products and services in a timely manner or to develop and introduce new products and services that incorporate new technologies, conform to increasingly regulatory requirements, and achieve market acceptance in a timely manner could negatively impact the Company's competitive position. New product development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products.

### **Additional funding requirements**

The Company will require additional financing to implement its business plan. The Company may raise additional funds through gap financing, debt financing and/or subsequent equity financing. The Company may also borrow funds from a financial institution(s) using the assets of the Company as security for said loan(s). The Company may also obtain additional financing through certain government subsidies or tax incentives available in certain geographic areas, if available, at the Company's discretion. Failure to obtain such additional capital on terms acceptable to the Company could restrict its ability to implement its growth plans. Further, a shortage of funds may prevent or delay the Company from getting its products to the marketplace, achieving profitability or enabling the Company to pay distributions to its shareholders. There is no assurance that the Company will have adequate capital to conduct its business or satisfy its financial obligations. The ability of the Company to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. There can be no assurance that the Company will generate cash flow from operations necessary to support the continuing operations of the Company.

### **Limited operating history**

The Issuer and the Target have each incurred losses since their inception. Although the Company expects to generate profit, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company's ability to reach and then sustain profitability depends on a number of factors, including the growth rate of the developmental lens industry, the continued market acceptance of the Mininsky Business and the competitiveness of the Company. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

### **ADDITIONAL INFORMATION**

The information provided in this MD&A is not intended to be a comprehensive review of all matters concerning the Company. This MD&A should be read in conjunction with other disclosure documents provided by the Company, which can be accessed at [www.sedar.com](http://www.sedar.com)

No securities commission or regulatory body has reviewed the accuracy or adequacy of the information presented here