

SKYCHAIN TECHNOLOGIES INC.
Management Discussion and Analysis
For the Three Months Ended June 30, 2023

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 September 11, 2023 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 consolidated financial statements as at March 31, 2023 and for the year then ended which were prepared in accordance with the International Financial Reporting Standards (“IFRS”), as well as the unaudited consolidated financial statements as at June 30, 2023 and for the three months then ended which were prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

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.

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 with its common shares listed for trading on the TSX Venture Exchange (TSX.V). The Company’s registered office and principal business address is 407 – 1112 West Pender Street, Vancouver, British Columbia.

On September 18, 2018, the Company completed the acquisition of MiningSky Technology Ltd. (“MiningSky”) and changed its business from the junior mining exploration industry to a Tier 2 Technology issuer. 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 and December 9, 2021, Skychain incorporated its wholly owned subsidiaries MiningSky Technologies (Manitoba) Inc. and 10117749 Manitoba Ltd. (“101 Manitoba”) respectively in the province of Manitoba (“MiningSky Manitoba”). MiningSky, MiningSky Manitoba and 101 Manitoba are involved in the business of providing crypto miners with all-in-one solution with warehouse space, low-cost electricity, and maintenance and hosting services.

On May 16, 2022, the Company incorporated its wholly-owned subsidiary RBN Digitech Labs Inc. (“RBN”) under the Business Corporations Act of British Columbia to be engaged in the business of developing non-fungible tokens (“NFT”). During June, 2022, RBN invested \$100,000 in exchange for 39.39% of the capital of Peterific Studios,

Inc. (“Peterific”), a British Columbia corporation developing a novel application of the “movement to earn” and “share to earn” systems. During the year ended March 31, 2023 the Company wrote-off its entire investment in Peterific due to its inability to further finance its technology development. During August, 2022 RBN incorporated Cutaverse Labs, Inc. (“Cutaverse”), a British Columbia corporation developing a novel application of the “play to earn” system. Upon incorporation RBN owns 66.67% of Cutaverse’s equity, and has had no capital investment into Cutaverse as at the date of this report.

BUSINESS UPDATE

Crypto Currency Mining Hosting Services

Birtle, Manitoba Project

In June 2020, MiningSky Manitoba entered into a lease agreement with the landlord (“Lessor”) for a 1.6- acre (0.65-hectare) parcel of land in the town of Birtle, Manitoba for a 12MW cryptocurrency mining hosting facility. Monthly payments of \$25,000 were to commence October 1, 2020 for a two-year term. The term was renewable for a second term of 36 months at \$40,000 per month and then renewable for a 60 month term at market price. Manitoba Hydro power permits and construction contract were assigned from the Lessor with the lease agreement. The Company had an option to acquire the land prior to the end of the three lease terms or March 1, 2030 at market price but not lower than \$3,000,000. The lease agreement was subsequently amended on August 1, 2021 to extend the lease payment commencement date to August 1, 2021 and lease termination date to July 23, 2023. An additional payment of \$50,000 was made to the Lessor as consideration for the extension.

In July, 2021, the Company and The9 Limited (“The9”) completed a financing transaction whereby The9 invested \$4 million with the Company through the acquisition of \$2 million in common shares and \$2 million in a convertible debenture (the “Financing Agreement”). The purpose of the transaction was to finance the development of the Company’s Birtle project. In addition, The9’s subsidiary NBTC Limited (“NBTC”) paid the Company \$2,619,121 as deposit for its hosting agreement with the Company.

On November 29, 2021, the Company was notified that its Birtle Site had been issued a “stop work” order by the City of Birtle due to various technical concerns about the Company’s project. Although the Company worked diligently and incurred substantial costs attempting to resolve these technical concerns, the Company was unable to get the City of Birtle to permit the project.

On March 14, 2022, as the Birtle Project became both technically and economically unfeasible to pursue, the Company terminated the lease agreement. As part of the termination, the additional \$50,000 paid to the Lessor was applied towards the final two months’ rent.

At the lease termination, the Company had expended a total of \$1,533,595 on improvement to the leased land, including \$1,093,780 relating to power connection and \$439,815 for site work that was not removable from the land. As the result of the lease termination the Company wrote off the entire \$1,533,595. During the year ended March 31, 2023 the Company wrote off an additional \$401,859 for work performed by the hydro authority prior to the lease termination but charged to the Company after March 31, 2022.

Under the terms and conditions of the Financing Agreement, the Company was contractually obligated to obtain certain approvals and permits for the Birtle Project prior to June 30, 2021, and to complete the project by December 7, 2021. The Company failed to meet either of these target dates.

On July 6, 2022, The9 brought an application for summary judgment on its claim against the Company for breach of the Financing Agreement (the “Summary Judgment Application”). On September 1, 2022, The9 filed a separate application seeking to appoint a receiver over all the assets, property, and undertakings of the Company (the “Receivership Application”). On September 20, 2022, the Supreme Court of British Columbia granted the Summary Judgment Application, ordering the Company to pay to The9 \$2,006,800 inclusive of interest to July 6, 2022, plus prejudgment contractual interest of \$4,164 from July 7, 2022 to September 20, 2022. Also on September 20, 2022, the Court dismissed The9’s Receivership Application.

The9's subsidiary NBTC filed suit against the Company's wholly-owned subsidiary, Miningsky Manitoba with respect to alleged breaches of a hosting services agreement entered into between NBTC and Miningsky Manitoba, and requested the repayment of the hydro deposit of \$2,619,121. At present, NBCT's claims remain outstanding and it is too early to assess the strength of NBTC's claims against the Company.

Melita, Manitoba

During the year ended March 31, 2022 the Company sought to purchase properties in Manitoba with the goal to develop crypto miner hosting sites, and incorporated 101 Manitoba which acquired an approximately four-acre property in Melita, Manitoba. Melita, Manitoba site does not have the permit issue, its potential power capacity is approximately double the size of that of the Birtle site, and the cost to construct is significantly lower than the Birtle site. As at the date of this report, no significant work has been carried out at the Melita, Manitoba site.

The development of such hosting facilities ceased in Manitoba due to difficult industry conditions including the fact that the Province of Manitoba stated that due to their expectation for unprecedented demand for crypto operations new applications have ceased until April 2024. The Company intends to dispose of the property purchased in Melita, Manitoba.

Rendering Farm and Data Center

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 (the "Investment Agreement") whereby the Company and the JV Partner each agreed to make a capital investment of \$600,000 and \$600,001 respectively in exchange for 600,000 and 600,001 common shares 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.V.

From Skyrendering's inception to March 31, 2022, the Company provided various services for and made payments on behalf of Skyrendering. These service contributions and payments were made in furtherance of the Company's commitments under the Investment Agreement towards an entitlement to receive Skyrendering common shares. Although management believes the Company fully satisfied its contribution obligations under the Investment Agreement in this regard, the JV Partner has disputed this.

At present, as a result of the JV Partner's challenge to the Company's rights to the Skyrendering common shares for certain technicalities, the Company recorded a total of \$188,321 in reimbursable expenditures paid on behalf of Skyrendering as doubtful receivable. The Company is seeking legal advice on recovering the investment and the receivable.

Investment in Miningsky Container Ltd.

On July 5, 2021, the Company incorporated Miningsky Container Ltd. ("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 crypto-currency mining. In accordance with Miningsky Container's shareholder investment agreement executed on August 6, 2021 the Company was to make a total capital investment of US\$250,000 in exchange for 25% of the total common shares issued and outstanding. As at March 31, 2022, the Company made a capital investment of \$159,550 (US\$125,000), representing 25% of the total share capital of Miningsky Container.

On March 31, 2022, the Company recorded an impairment loss of the entire investment of \$159,550 as the investment is not recoverable due to uncertainty as to the feasibility of Miningsky Container's business plan.

In September, 2022 the Company disposed of its 25% equity interest in Miningsky Container for gross proceeds of \$1 to the 70% equity holder of Miningsky Container, whereby Miningsky Container and the Company agreed to mutual general release of all existing and future claims and obligations. As a result, the Company recorded a gain on debt settlement of \$44,145, representing the full balance owed to Miningsky Container immediately prior to the

Company's ownership disposition and general release. As at June 30, 2023 and the date of this report the Company has no balance owed to Miningsky Container.

Self-mining and Defi-NFT Business

As announced on March 18, 2022, the Company intended to expand from its crypto/data centre business to self-mining and the creation in video gaming of digital assets or Non-Fungible Tokens (NFT) and digital payment or decentralized finance (DeFi) services to benefit from the growth in demand for these blockchain based solutions.

On May 16, 2022 the Company incorporated its wholly owned subsidiary RBN Digitech Labs Inc. ("RBN") under the Business Corporations Act of British Columbia to be engaged in the business of developing NFT's in a gaming environment.

RBN is engaged in developing a novel application of the "move to earn" and "share to earn" systems in Peterific, and developing a novel application of the "play to earn" system in Cutaverse. During the year ended March 31, 2023 the Company wrote off its entire investment in Peterific of \$100,000, as Peterific was unable to raise further financing required for developing the technology.

During the year ended March 31, 2023 the Company spent an additional \$133,333 on developing its NFT project, which has been held in abeyance subsequent to March 31, 2023 while we continue to assess the NFT market.

Other Projects

The Company's management is actively searching for other technology business opportunities in an effort to maximize shareholder value.

SELECTED ANNUAL FINANCIAL DATA

The following selected financial information is taken from the audited financial statements and should be read in conjunction with those statements.

	March 31, 2023 \$	March 31, 2022 \$	March 31, 2021 \$
Operations:			
Revenue	-	-	2,565,131
Net loss	(5,290,930)	(6,634,695)	(1,240,591)
Basic and diluted loss per share	(0.20)	(0.33)	(0.09)
Balance Sheet:			
Working deficiency	(5,656,819)	(3,186,007)	(2,546,597)
Total Assets	1,628,377	7,260,517	1,518,446
Total long-term liabilities	-	-	31,306

Year ended March 31, 2023 in comparison to year ended March 31, 2022

The Company generated no revenue during 2023 or 2022. During 2023 the Company recorded a net loss of \$5,290,930 comprising operating loss of \$1,983,369 and other losses of \$3,307,561, a decrease from a net loss of \$6,634,695 for 2022 comprising total operating loss of \$4,836,326 and other losses of \$1,798,369.

Details of the operating expenses for the two years are as follows.

	2023	2022
Accounting and audit	\$ 189,214	\$ 269,510
Accretion and interest	69,960	220,156
Amortization of property and equipment	6,069	7,929
Depreciation of right-of-use assets	5,763	228,799
Consulting and management fees	335,457	334,686
Legal fees	402,163	235,688
Marketing and corporate communication	-	322,819
Office and general administrative	198,798	315,076
Filing and listing fees	21,876	114,524
Salary and benefits	392,473	1,539,384
Transfer agent	782	6,259
Travel	12,547	68,304
Storage and handling	115,369	28,203
Business development	19,652	118,194
Bad or doubtful debt	79,913	213,259
Research and development	133,333	-
Option based compensation	-	813,536
	<u>\$ 1,983,369</u>	<u>\$ 4,836,326</u>

Accounting and audit expenses decreased from \$269,510 in 2022 to \$189,214 in 2023, as the Company had fewer and less complex transactions in 2023. In addition, part of the tax and audit related work for the year ended 2022 were completed and recorded in 2023. Accretion expense decreased from \$220,156 in 2022 to \$69,960 in 2023 as in 2023 the Company recorded a loss on default of the debenture of \$853,584 instead of continuing the interest accretion on the debenture after The9 Limited requested the immediate repayment of the principal amount of \$2million in June, 2022. In 2023 we recorded amortization of a leased truck of \$5,763, decreased from a total of \$228,799 in 2022 which included depreciation of leased truck of \$5,764, as well as the amortization of capitalized lease payment of the Birtle site of \$178,461 and the leased office of \$44,574, both of which were terminated by March 31, 2022. Management fees were consistent at \$334,686 and \$335,457 for 2022 and 2023 respectively. Legal fees increased significantly from \$235,688 in 2022 to \$402,163 in 2023, as in 2023 we engaged legal services on claims relating to The9 Limited, Anova Energy and the former CEO and related parties. The Company's handling and storage fees for its hosting equipment was largely capitalized as part of the costs of its capital assets in 2022 but expensed as operating expense in 2023 after the Company terminated its Birtle project in March, 2022, therefore we recorded storage and handling of \$115,369 in 2023, an increase from \$28,203 in 2022. Office and administrative expenses, transfer agent fees, filing and listing fees, travel expenses, business development expenses all decreased from 2022 to 2023 due to reduced operations in 2023. In 2022 we incurred marketing and communication expenses of \$322,819; in 2023 we did not incur such costs while we focused on safeguarding and building the Company. Salaries and benefits decreased significantly from \$1,539,384 in 2022 to \$392,473 in 2023, as we laid off staff after termination of projects. In 2023 we recorded bad or doubtful debt of \$79,913 for retainer paid to an overseas service provider which was unlikely to provide the services; in 2022 we recorded total bad or doubtful debt of \$188,321 for the expenses paid for Skyrendering which was unlikely to be reimbursed as well as \$24,938 uncollectible tax refund. In 2022 we recorded option-based compensation of \$813,536 for estimated value of the options granted and vested during the period, we had no options granted or vested during the current period. In 2023 we recorded research and development expenses of \$133,333 on our NFT business development, which did not take place in 2022.

In 2022 the Company received total government assistance of \$163,545 for wage and rent assistances due to COVID 19; there was no such assistance from the government during 2023. During 2023 the Company recorded loss on sale of equipment of \$1,420 compared to a gain of \$69,654 on equipment sold in 2022. In 2022 the Company recorded equity investment loss of \$159,550 on its investment in Miningsky Container; in 2023 the Company recorded loss of \$100,000 on equity investment in Peterific. During 2023 the Company recorded loss of \$853,584 on default on the Debentures issued to The9 Limited, as The9 Limited demanded immediate repayment of the principal amount of \$2million together with the accrued interest after the Company's breached the financing agreement for the debentures with the termination of the Birtle project. During 2023 the Company recorded a total gain on debt settlement of \$260,438 including \$44,145 for debt forgiven by Miningsky Container and \$216,293 for debt forgiven by Manitoba Hydro International; in 2022 we

recorded a gain of \$39,006 on debt settlement including \$31,887 from debt settled with the issuance of the Company's common shares and \$7,119 forgiven by a creditor. In 2022 we recorded loss on lease termination of \$40,071 upon terminating the Birtle land lease; in 2023 we recorded gain on lease termination of \$1,142 on the termination of the truck lease. In 2022 we recorded impairment of equipment of \$330,475, in 2023 we recorded total fixed asset impairment of \$2,212,278 including impairment on equipment of \$2,171,548 and impairment on land of \$40,730. In 2022 we recorded impairment of our hydro construction work on our Birtle leased land of \$1,533,595 and in 2023 we recorded impairment of \$401,859 on the hydro construction work charged to the Company in 2023.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited selected financial information for each of the last eight quarters ended June 30, 2023 in accordance with IFRS.

	Three Months Ended June 30, 2023	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
Total assets	1,402,628	1,628,377	4,941,991	5,502,569
Working capital (deficiency)	(5,958,046)	(5,656,819)	(5,679,491)	(5,296,252)
Shareholders' equity (deficiency)	(5,081,722)	(4,779,735)	(1,839,913)	(1,438,729)
Net loss	(301,987)	(2,925,870)	(415,139)	(477,912)
Basic and diluted loss per share	(0.01)	(0.11)	(0.02)	(0.02)

	Three Months Ended June 30, 2022	Three Months Ended March 31, 2022	Three Months Ended December 31, 2021	Three Months Ended September 30, 2021
Total assets	6,321,382	7,260,517	10,520,520	6,680,547
Working capital (deficiency)	(4,858,178)	(3,186,007)	(3,447,875)	(533,144)
Shareholders' equity (deficiency)	(960,828)	511,181	2,714,836	2,009,670
Net loss	(1,472,014)	(3,389,752)	(1,280,276)	(1,324,914)
Basic and diluted loss per share	(0.05)	(0.15)	(0.07)	(0.07)

The Company has generated no revenue since July 1, 2021, incurred losses during each of the eight quarters.

During June, 2021, the Company raised a total of \$4 million with the issuance of equity and convertible debentures, and commenced constructing its Birtle hosting site, therefore total assets, working capital and shareholder equity increased significantly from the previous quarter. In the quarter ended September 30, 2021 the Company continued to raise funds and settle debts with the issuance of common shares, resulting in increased shareholder equity.

In the quarter ended December 31, 2021 the Company continued to build its property and equipment and develop its lease improvements for its Birtle project, and financed it with increased current liabilities, therefore the increase in total assets, the significant decrease in working capital, and increased loss due to increased operating costs for the Birtle project and the losses incurred by Skyrendering and Miningsky Container. However, shareholder equity increased as estimated value of the granted and vested options were recorded as contributed surplus.

Total assets and expenses, and thus net losses, increased significantly from the quarter ended December 31, 2021 to the quarter ended December, 2021, as the Company continued to develop its projects. Shareholder equity increased from the previous quarter due to an additional \$2million raise from the issuance of common shares and the granting and vesting of the options.

The Company's Birtle project was issued a stop work order by the City of Birtle in November, 2021, after which the Company continued to incur costs in order to salvage the project and fulfill its obligations under the financing agreement with The9. However, in March, 2022 the project became both technically and economically unfeasible to pursue. The management terminated the Birtle lease agreement and recorded significant asset impairment and reduction in the quarter ended March 31, 2022. During the same quarter, the Company also wrote off its investments in Mininsky Container and receivables from Skyrendering. Consequently, net loss recorded in the quarter ended March 31, 2022 increased significantly from previous quarters. During the last quarter of 2022, the Company reclassified the convertible debenture issued to The9 limited from long term liability to current liability, as the financing agreement for the debenture became in default when the Company was unable to deliver the hosting facility and services to The9 in accordance with the agreement. As a result, the working capital deficiency significantly increased from December 31, 2021 to March 31, 2022.

In the quarter ended June 30, 2022, the Company recorded a total loss of \$1,472,014 of which \$853,584 was loss due to The9 demanding early repayment of the convertible debenture upon default on the related financing agreement. As the Company continued to execute its obligations carried forward from its terminated projects, its total assets decreased and working capital deficiency increased, while shareholder equity turned into shareholder deficiency during the quarter as there was no equity injection during the quarter.

In the quarters ended September 30 and December 31, 2022 the Company continued to incur net losses, resulting in reduced total assets, increased working capital deficit and increased shareholder deficiency. In the quarter ended March 31, 2023 the Company recorded a total loss of \$2,925,870 which includes equipment and property impairment of \$2,212,278, and impairment of expenditures on the leased Birtle property of \$401,859. In the quarter ended June 30, 2023 the Company focused on administrative activities restoring its good standing, safeguarding its assets and searching for viable business opportunities, and recorded a net loss of \$301,987.

RESULTS OF OPERATION

For the three months ended June 30, 2023 the Company's financial positions and operation results include those of the Company and its subsidiaries, MiningSky and its 100% subsidiary MiningSky USA, MiningSky Manitoba, 101 Manitoba and RBN. All inter-company transactions and balances are eliminated.

Three months ended June 30, 2023 in comparison to three months ended June 30, 2022

During the three months ended June 30, 2023 the Company recorded a net loss of \$301,987, a significant decrease from \$1,472,014 for the three months ended June 30, 2022.

The Company generated no revenue in the three months ended June 30, 2023 or three months ended June 30, 2022.

Operating expenses for the two periods are as follows.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
EXPENSES		
Accounting and audit	\$ 58,915	\$ 60,000
Accretion and interest	4,693	53,337
Amortization of property and equipment	760	2,985
Depreciation of right-of-use assets	-	2,882
Consulting and management fees	116,000	44,290
Legal fees	42,111	38,235
Office and general administrative	29,317	94,934
Filing and listing fees	1,405	6,264
Salary and benefits	20,848	237,777
Travel	4,738	24,283
Storage and handling	23,200	45,125
Business development	-	3,677
	\$ 301,987	\$ 613,789

Accounting and audit expenses recorded in the three months ended June 30, 2023 were consistent with the amount recorded in the previous period, as the Company's annual audit commenced during the periods ending June 30 of each year. Legal fees slightly increased from \$38,235 in the three months ended June 30, 2022 to \$42,111 for the three months ended June 30, 2023, as the Company filed its claim against the Birtle landlord and associated parties in the current period. Accretion and interest expenses decreased significantly from \$53,337 to \$4,693 in the current period, as during the quarter ended June 30, 2022 the Company recorded accretion on the convertible debenture issued to The9 and on lease liabilities in addition to the interest accrued on the balance owed for the debenture; in the current only accrued interest on debenture was recorded after the lease terminations and the request for immediate repayment of the debenture upon default on the loan obligations. During the three months ended June 30, 2023 the Company had less equipment in use than the three months ended June 30, 2022, therefore lower amortization was recorded. During the three months ended June 30, 2022 the Company recorded \$2,882 on depreciation of leased assets, in the three months ended June 30, 2023 the Company had no leased assets therefore no depreciation of such assets was recorded. During the current period consulting and management fees were recorded at \$116,000, a significant increase from \$44,290 in the three months ended June 30, 2022, as in the previous period the Company's officers' remunerations were included in the salary and benefits, which decreased significantly from \$237,777 to \$20,848. The decrease was also due to the reduction of the number of employees as the operation was scaled down after the termination of projects. All other expenses decreased from the quarter ended June 30, 2022 to the quarter ended June 30, 2023 as the Company scaled down and streamlined its operations.

During the three months ended June 30, 2022 the Company recorded loss on sale of equipment of \$4,641; in the current period the Company did not sell equipment so did not record such gain or loss. During the three months ended June 30, 2022 the Company recorded loss of \$853,584 on default on the Debentures issued to The9, as The9 demanded immediate repayment of the principal amount of \$2million together with the accrued interest after the Company breached the financing agreement for the debentures with the termination of the Birtle project.

LIQUIDITY AND CAPITAL RESOURCES

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

The consolidated 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.

During the three months ended June 30, 2023 the Company used \$196,685 in operating activities, and did not carry out cash based investment or financing activities.

At June 30, 2023 the Company had a working capital deficit of \$5,958,046, and no additional financing has been completed from April 1, 2023 to the date of this report. 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 from the date of this report.

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 for the three months ended June 30, 2023 and 2022:

		Three Months Ended June 30, 2023		Three Months Ended June 30, 2022
Salaries and bonus, CEO, former CFO	\$	21,000	\$	25,000
Management fees, President, former CEO		50,000		50,000
Consulting fees, a director		15,000		-
Salaries and management fees, CFO		30,000		30,000
Total	\$	116,000	\$	105,000

Other transactions

As at June 30, 2023, \$133,333 (March 31, 2023 - \$93,333) was owed to the President of the Company for management fees, \$14,700 (March 31, 2023 - \$7,350) was owed to the CEO for management fees, \$10,500 (March 31, 2023 - \$Nil) was owed to the CFO for management fees, \$5,250 (March 31, 2023 - \$Nil) was owed to a director for consulting fees, an advance of \$32 (March 31, 2023 - \$32) was owed to a director, and advances of \$111,630 (March 31, 2023 - \$111,630) were owed to the former CEO and private companies controlled by the former CEO. During April, 2022, \$117,378 was garnished from the Company as funds for the repayment of the former CEO's advances. In September, 2022 the Company filed a claim against the former CEO for damages. In July, 2023 the Company filed an additional claim against the former CEO and a former director of the Company for damages.

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

Litigations with the former CEO

In February, 2022, after receiving the results of an investigation of the former CEO's prior conduct as the CEO of the Company and its subsidiaries, the board of directors of the Company dismissed him with cause from all his management positions with the Company and the Company's subsidiaries, and replaced him as a director of the Company's subsidiaries. In accordance with the terms and conditions of an employment agreement between the former CEO and the Company, he was deemed to have resigned from the board of directors of the Company upon his dismissal with cause.

In March, 2022, the former CEO filed a wrongful dismissal claim in the Supreme Court of British Columbia. The Company has denied the claim in its filed defence. In September, 2022, the Company filed a separate claim against the former CEO for unspecified damages arising from his conduct during his tenure as an officer of the Company. Due to the early-stage nature of these actions, neither the outcome nor damages can reasonably be assessed.

Litigation with the former CEO and a former director

In July 2023, the Company filed a claim at the King's Bench of Manitoba against the Lessor of the Birtle site, the former CEO who is also a former director and a former director for an interest in the Birtle site. Due to the early-stage nature of these actions, neither the outcome nor damages can reasonably be assessed.

FINANCIAL AND CAPITAL RISK MANAGEMENT

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.

Fair Values and Classification of Financial Instruments

As at June 30, 2023, the Company's financial instruments comprised cash, receivables, accounts payable, due to related parties, convertible loan and government loan. With the exception of cash, which is measured at FVTPL, all financial instruments held by the Company are measured at amortized cost.

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, 2023, cash of \$97,332 (March 31, 2023 - \$294,017) was classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the three months ended June 30, 2023.

Currency risk

A minor portion of the Company's financial instrument balances are held in United States dollars. 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, 2023.

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, 2023, the Company had a cash balance of \$97,332 to settle current liabilities of \$6,484,350. The Company needs to raise additional funds to sustain its operation for the next 12 months. The Company's access to financing is 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, 2023 are as follows:

	In 12 Months
Accounts payable and accrued liabilities	\$ 4,291,976
Advances from related parties	275,445
Government loan	40,000
Convertible loan	1,876,929
Total	\$ 6,484,350

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 exposure to interest rate risk is insignificant.

Price risk

The Company holds property and equipment that provides hosting services for cryptocurrency miners. Although the Company does not mine cryptocurrency by itself, the fluctuation of cryptocurrency prices will affect the Company's potential customers and therefore the Company's operation indirectly.

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.

The Company's significant accounting estimates and judgments and accounting policies are included in Notes 3 and 4 to its audited consolidated financial statements for the year ended March 31, 2023 and Note 2 to its unaudited consolidated financial statements for the three months ended June 30, 2023.

OFF BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

COMMITMENTS

The Company leases an office space at a monthly rate of \$5,942 (plus GST) to July 31, 2024.

SHARE CAPITAL

Authorized

Unlimited common shares without par value

Outstanding

As at the date of this report, June 30 and March 31, 2023, 26,835,601 common shares were issued and outstanding. There was no common share transaction from April 1, 2022 to the date of this report.

Stock options

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. The fair value of \$450,913 in respect of this grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 0.47%, expected volatility of 164.47%, an expected option life of 2 years and no expected dividends.

On December 30, 2021, the Company granted 1,100,000 options to directors and officers of the Company. The options are exercisable into the Company's common shares at \$0.35 per share for five years. The fair value of \$362,623 in respect of this grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 1.26%, expected volatility of 168.23%, an expected option life of 5 years and no expected dividends.

During June, 2022, 200,000 options exercisable into the Company's common stock at \$0.80 per share and 100,000 options exercisable into the Company's common stock at \$0.35 per share were forfeited due to the resignations of two of the Company's directors. During December, 2022 100,000 options exercisable into the Company's common stock at \$0.80 per share were forfeited due to the resignation of a director. During July, 2023, 300,000 options exercisable into the Company's common stock at \$0.80 per share expired.

A summary of stock option activity is as follows:

	Number of options #	Weighted average exercise price \$
Balance, March 31, 2022	1,700,000	0.51
Forfeited	(400,000)	0.69
Balance, June 30 and March 31, 2023	1,300,000	0.45
Expired	(300,000)	0.80
Balance, Date of This Report	1,000,000	0.35

As at the date of this report the following options were outstanding:

Number of Options	Exercise Price \$	Expiry Date
1,000,000	0.35	December 29, 2026
1,000,000		

Warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants #	Weighted average exercise price \$
Balance, March 31, 2022	3,571,085	1.21
Expired	(320,006)	1.20
Balance, June 30 and March 31, 2023	3,251,079	1.22
Expired	(619,500)	1.20
Balance, Date of This Report	2,631,579	1.22

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
2,631,579		

CONTINGENCIES

Proficana Solutions Ltd.

On February 26, 2021, Proficana Solutions Ltd. ("Proficana"), a client of MiningSky Technology Ltd., filed a notice of civil claim in the Supreme Court of British Columbia against MiningSky for a payment of \$631,043 for damages arising from an agreement signed between the parties in and around December 2019.

In April 2020, MiningSky responded to the action by filing a response to civil claim and filed a counterclaim against Proficana for \$995,469 for damages from two agreements signed between the parties, both in and around December 2019. The pleading period has now closed. The next stage is the discovery process in the litigation. Proficana, as a plaintiff, has not delivered its list of documents, and has not taken any step after its filing of response to counterclaim on May 20, 2021. The potential outcome of the respective claims is not determinable. No amount in this regard has been recorded in the consolidated financial statements.

Litigations with the Former CEO

In February, 2022, after receiving the results of an investigation of the former CEO's prior conduct as the CEO of the Company and its subsidiaries, the board of directors of the Company dismissed him with cause from all his management positions with the Company and the Company's subsidiaries and replaced him as a director of the Company's subsidiaries. In accordance with the terms and conditions of an employment agreement between the former CEO and the Company he was deemed to have resigned from the board of directors of the Company upon his dismissal with cause.

In March, 2022, the former CEO filed a wrongful dismissal claim in the Supreme Court of British Columbia. The Company has denied the claim in its filed defense.

In September, 2022, the Company filed a separate claim against the former CEO for unspecified damages arising from his conduct during his tenure as an officer of the Company.

Due to the early-stage nature of these actions, neither the outcome nor damages can reasonably be assessed.

Anova Energy Inc. Action

On January 18, 2018, Miningsky entered into an agreement (the "Supply Agreement") with Anova Energy Inc. ("Anova") pursuant to which Miningsky retained Anova to introduce energy suppliers to Miningsky. Under the terms and conditions of the agreement, Anova was to be paid a commission for power purchased from suppliers it introduced to Miningsky. In September 2018, the Company completed its acquisition of Miningsky.

On June 22, 2022, Anova filed a Statement of Claim in the Court of Queen's Bench of Alberta against the following defendants: the Company, Miningsky, Miningsky Manitoba, Miningsky USA, 1151203 B.C. Ltd., 1151152 B.C. Ltd., Ningtao Zhang and Walson Wang. Anova claims against all of the defendants, jointly and severally, for damages in the sum of \$1,000,000 as a result of breaches of contract, inducement of breach of contract, intentional interference with economic relations, conspiracy, bad faith and unjust enrichment; and punitive, or in the alternative, aggravated damages in the sum of \$500,000. The Company and its subsidiaries deny any and all of the claims.

As at the date of this report, no documents have been exchanged and no discoveries have taken place. It is too early at this stage in the proceeding to assess the strengths of Anova's claim or the defenses of Miningsky or Skychain to that claim.

The9 Limited Actions

On July 21, 2021, the Company and The9 completed a financing transaction (the "Transaction") whereby The9 invested \$4 million with the Company through the acquisition of \$2 million of equity securities and \$2 million in the Debentures. The purpose of the Transaction was to finance development of a cryptocurrency hosting facility at the Company's Birtle Site.

On November 29, 2021, the Company was notified that its Birtle Site had been issued a "stop work" order by the City of Birtle due to various technical concerns about the Company's project. Although the Company worked diligently and incurred substantial costs attempting to resolve these technical concerns, the Company was unable to get the City of Birtle to permit the project.

Under the terms and conditions of the Transaction, the Company was contractually obligated to obtain certain approvals and permits for the Birtle Project prior to June 30, 2021, and to complete the project by December 7, 2021. The Company failed to meet either of these target dates. On May 6, 2022 the Company announced that the Birtle Site project was terminated on the basis that it would be uneconomic for the Company to proceed with it.

On July 6, 2022, The9 brought an application for summary judgment on its claim against the Company for breach of the Financing Agreement (the "Summary Judgment Application"). On September 1, 2022, The9 filed a separate application seeking to appoint a receiver over all the assets, property, and undertakings of the Company (the "Receivership Application"). On September 20, 2022, the Supreme Court of British Columbia granted the Summary Judgment Application, ordering the Company to pay to The9 \$2,006,800 inclusive of interest to July 6, 2022, plus prejudgment contractual interest of \$4,164 from July 7, 2022, to September 20, 2022. Also on September 20, 2022, the Court dismissed The9's Receivership Application.

NBTC, A subsidiary corporation of The9 filed suit against the Company's wholly-owned subsidiary for total hydro deposit repayment of \$2,619,121. Miningsky Manitoba with respect to alleged breaches of a hosting services agreement entered into between NBTC and Miningsky Manitoba. At present, NBTC's claims remain outstanding and it is too early to assess the strength of NBTC's claims against the Company.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2024, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Company's audit committee and Board of Directors. The accompanying financial statements are prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of four non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

SUBSEQUENT EVENTS

Expirations of Stock Options and Warrants

During July, 2023, 300,000 options exercisable into the Company's common stock at \$0.80 per share expired.

During August, 2023, 619,500 warrants exercisable into the Company's common stock at \$1.20 per share expired.

Litigation Relating to the Birtle Site

During July 2023, the Company filed a claim at the King's Bench of Manitoba against the Lessor of the Birtle site, the former CEO who is also a former director and a former director for an interest in the Birtle site. Due to the early-stage nature of these actions, neither the outcome nor damages can reasonably be assessed.

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 crypto mining ventures

Due to the increased electricity consumption needs that crypto mining operations require, anything causing a spike or alteration in the behavior 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 crypto mining 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 Miningsky 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