# SKYCHAIN TECHNOLOGIES INC.

# (FORMERLY GREEN VALLEY MINE INCORPORATED)

## CONSOLIDATED FINANCIAL STATEMENTS

## MARCH 31, 2019 AND 2018

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Skychain Technologies Inc.

**Opinion**
We have audited the consolidated financial statements of Skychain Technologies Inc. (formerly Green Valley Mine Incorporated) and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at March 31, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for Opinion**
We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**
We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a deficit of $7,497,916 as at March 31, 2019. The Company has incurred negative cash flows from operations and recorded a loss of $3,402,110 for the year ended March 31, 2019. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**
Management is responsible for the other information, which is comprises of the information included in the Management's Discussion and Analysis to be filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
July 29, 2019

**SKYCHAIN TECHNOLOGIES INC.**
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT MARCH 31,

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 142,093 | $ 1,568,470 |
| Cash in trust | 6,424 | - |
| Receivables (Note 8) | 18,108 | 5,017 |
| Prepaid expenses (Note 9) | 118,581 | 3,900 |
| **Total current assets** | 305,690 | 1,577,387 |
| Reclamation deposits (Note 6) | 15,000 | 15,000 |
| Prepaid acquisition cost (Note 5) | - | 20,000 |
| Property and equipment (Note 10) | 1,611,070 | - |
| **Total assets** | $ 1,931,760 | $ 1,612,387 |
| **LIABILITIES AND EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 735,535 | $ 31,184 |
| Due to related parties (Note 14) | 260,611 | - |
| Payable to MiningSky (Note 5) | - | 147,290 |
| Unearned revenue (Note 11) | 7,300 | - |
| **Total current liabilities** | 1,023,930 | 178,474 |
| Customer deposits (Note 12) | 286,226 | - |
| **Total liabilities** | 1,310,156 | 178,474 |
| **Equity** | | |
| Share capital (Note 13) | 7,945,047 | 3,942,196 |
| Reserves | 175,458 | 175,458 |
| Share subscriptions (Note 13) | - | 1,413,050 |
| Accumulated other comprehensive loss | (985) | - |
| Deficit | (7,497,916) | (4,096,791) |
| | 621,604 | 1,433,913 |
| **Total liabilities and equity** | $ 1,931,760 | $ 1,612,387 |

**NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS** (Note 1)
**COMMITMENT** (Note 18)
**LITIGATION** (Note 19)
**EVENTS SUBSEQUENT TO THE REPORTING PERIOD** (Note 21)

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

**SKYCHAIN TECHNOLOGIES INC.**
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED MARCH 31,

| | 2019 | 2018 |
|---|---|---|
| **REVENUE** | | |
| Hosting services | $ 976,618 | $ - |
| **COSTS OF OPERATIONS** | | |
| Amortization (Note 10) | (281,795) | - |
| Hosting operation costs | (994,801) | - |
| **Gross loss** | (299,978) | - |
| **EXPENSES** | | |
| Accounting fees (Note 14) | 87,777 | 19,725 |
| Amortization (Note 10) | 3,175 | - |
| Consulting (Note 19) | 174,218 | 17,609 |
| Legal fees | 109,979 | 27,172 |
| Marketing and corporate communication (Note 14) | 77,873 | 19,750 |
| Office and miscellaneous | 68,270 | 10,510 |
| Registration and filing fee | 42,744 | 6,779 |
| Rent | 192,805 | - |
| Salary and benefits (Note 14) | 265,254 | - |
| Transfer agent | 14,909 | 12,003 |
| Travel | 25,405 | - |
| | (1,062,409) | (113,548) |
| **Loss before other items** | (1,362,387) | (113,548) |
| **OTHER ITEMS:** | | |
| Recovery of impairment on exploration and evaluations assets (Note 7) | - | 75,000 |
| Impairment of exploration and evaluation assets (Note 7) | - | (1) |
| BC Mining Exploration tax credit (Note 7) | - | 24,519 |
| Write-off equipment | - | (847) |
| Impairment of goodwill (Note 5) | (2,038,738) | - |
| **Net loss for the year** | (3,401,125) | (14,877) |
| **Other comprehensive loss** | | |
| Item that may be reclassified subsequently to loss | | |
| Unrealized foreign exchange translation | (985) | - |
| **Comprehensive loss for the year** | $ (3,402,110) | $ (14,877) |
| **Loss per share – basic and diluted** | $ (0.65) | $ (0.00) |
| **Weighted average number of shares outstanding** | 5,200,420 | 3,688,077 |

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

**SKYCHAIN TECHNOLOGIES INC.**
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

| | Share capital | | | | Accumulated other | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Share subscriptions | Reserves | comprehensive income | Deficit | Total |
| **Balance at March 31, 2017** | **3,688,077** | **$ 3,942,196** | **$ -** | **$ 175,458** | **$ -** | **$ (4,081,914)** | **$ 35,740** |
| Share subscription received | - | - | 1,413,050 | - | - | - | 1,413,050 |
| Net loss for the year | - | - | - | - | - | (14,877) | (14,877) |
| **Balance at March 31, 2018** | **3,688,077** | **3,942,196** | **1,413,050** | **175,458** | **-** | **(4,096,791)** | **1,433,913** |
| Private placement, net of issuance cost | 1,709,967 | 2,560,361 | (1,413,050) | - | - | - | 1,147,311 |
| Shares issued to acquire MiningSky | 836,226 | 1,442,490 | - | - | - | - | 1,442,490 |
| Share issuance cost – finder's fee | 155,935 | - | - | - | - | - | - |
| Share consolidation rounding | (8) | - | - | - | - | - | - |
| Loss and other comprehensive loss for the year | - | - | - | - | (985) | (3,401,125) | (3,402,110) |
| **Balance at March 31, 2019** | **6,390,197** | **$ 7,945,047** | **$ -** | **$ 175,458** | **$ (985)** | **$ (7,497,916)** | **$ 621,604** |

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

**SKYCHAIN TECHNOLOGIES INC.**
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED MARCH 31,

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the year | $ (3,401,125) | $ (14,877) |
| Items not involving cash: | | |
| Amortization | 3,175 | 847 |
| Amortization in cost of operations | 281,795 | - |
| Impairment of exploration and evaluation assets | - | 1 |
| Impairment of goodwill | 2,038,738 | - |
| Changes in non-cash working capital items: | | |
| Receivables | 139,617 | (3,114) |
| Prepaid expenses | 83,015 | 1,100 |
| Customer deposits | 40,480 | - |
| Unearned revenue | (19,767) | - |
| Accounts payable and accrued liabilities | (85,325) | 1,914 |
| Due to related parties | (19,669) | 147,290 |
| Net cash (used in) obtained from operating activities | (939,066) | 133,161 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Cash in trust | (6,424) | - |
| Prepaid acquisition costs | - | (20,000) |
| Purchase of property and equipment | (334,000) | - |
| Cash acquired from MiningSky | 416,662 | - |
| Cash advanced to MiningSky | (1,703,000) | - |
| Net cash used in investing activities | (1,626,762) | (20,000) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from share issuances | 1,151,900 | - |
| Share issue costs | (4,588) | - |
| Share subscription receivable | - | 1,413,050 |
| Net cash provided by financing activities | 1,147,312 | 1,413,050 |
| **Change in cash for the year** | (1,418,516) | 1,526,211 |
| Effect of exchange rate changes on balance of cash held in foreign currencies | (7,861) | - |
| **Cash, beginning of year** | 1,568,470 | 42,259 |
| **Cash, end of year** | $ 142,093 | $ 1,568,470 |
| **Non-cash transaction in the investing and financing activities** | | |
| Issuance of common share to acquire MiningSky | $ 1,442,490 | $ - |
| Equipment included in accounts payable and accrued liabilities as of March 31, 2019 | $ 402,451 | $ - |
| **Supplemental disclosures** | | |
| Interest paid | $ - | $ - |
| Income tax paid | $ - | $ - |

The accompanying notes are an integral part of these consolidated financial statemen

## 1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Skychain Technologies Inc. (formerly Green Valley Mine Incorporated) ('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 415 – 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. MiningSky was involved in the business of providing services to cryptominers all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services.

The Company was in the junior exploration industry and its principal business activity was the sourcing and exploration of mineral properties. After the acquisition of MiningSky and the change of business, the Company became a Tier 2 Technology Issuer.

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business.

At March 31, 2019 the Company had accumulated a deficit of $7,497,916 which has been funded primarily by the issuance of equity. The Company has incurred negative cash flows from operations and recorded a loss of $3,402,110 for the year ended March 31, 2019. The Company's ability to continue as a going concern and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

## 2. BASIS OF PREPARATION AND GOING CONCERN

***Statement of compliance***

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on July 29, 2019.

## 2. BASIS OF PREPARATION AND GOING CONCERN (continued)

***Basis of measurement***

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

***Functional and presentation currency***

The Company's consolidated financial statements are presented in Canadian dollars. The Company and MiningSky's functional currency is the Canadian dollar. The functional currency of the United States subsidiary, MiningSky USA, is the United States dollar. These consolidated financial statements have been translated to the presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions. All exchange differences are reported as a separate component of other comprehensive income (loss).

***Consolidation***

These consolidated financial statements include the financial statements of the Company and its subsidiaries, MiningSky and MiningSky USA. All inter-company transactions and balances have been eliminated.

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) Going Concern
As discussed in note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

b) Functional currencies
Management is required to assess the functional currency of each entity of the Company. In concluding on the functional currencies of the parent and its subsidiaries, management considered the currency that mainly influences the sale prices of goods and services and the cost of providing goods and services in each jurisdiction in which the Company operates. When no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

c) Valuation of deferred tax assets and liabilities
Deferred tax assets and liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied. Deferred tax assets are estimated with consideration given to the timing, sources and amounts of future taxable income.

d) Valuation and useful lives of property and equipment
Changes in technology or the intended use of these assets as well as changes in economic or industry factors may create indicators of impairment or cause the estimated useful lives of these assets to change. Where impairment is indicated, the Company estimates the fair value of the assets and charges the difference between the fair value and the carrying amount, if any, to impairment expense. The estimates of the useful lives of property and equipment are reviewed on an annual basis. Depreciation or amortization is adjusted on a prospective basis, if and when required.

## 4. SIGNIFICANT ACCOUNTING POLICIES

***Business combination***

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in income as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Any contingent consideration and related indemnification rights are recognized at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration and related indemnification rights classified as a financial liability and financial asset are recognized in income. Restructuring, transaction costs and other direct costs of a business combination are not considered part of the business acquisition transaction. Instead, such costs are expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Foreign currency***

*Foreign currency transactions:*
The Company and its subsidiaries operate with multiple functional currencies. Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in other than the entity's functional currency are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

*Foreign operations:*
In preparing the consolidated financial statements of the individual entities, assets and liabilities of foreign operations are translated to the reporting currency of Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated from their foreign functional currencies directly to the reporting currency of Canadian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive loss as unrealized foreign exchange translation, and the cumulative foreign currency differences are recorded in accumulated other comprehensive income.

***Revenue recognition***

The Company has adopted IFRS 15 Revenue from Contracts with Clients. The standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized.

According to IFRS 15, revenue is recognized when a client obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a client and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a client.

The Company has the following services from which it generates revenue:

*(ii) Hosting service revenue*
The Company provides cryptominers all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services.

Revenue from the hosting services is recognized when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred for the transaction and costs to complete the transaction can be measured reliably.

Monthly access and maintenance revenue is recognized over the term of the related agreement on a straight-line basis. Deferred revenues represent amounts invoiced in excess of revenues recognized.

*(ii) Sale of goods*
The Company may sell parts and supplies that it currently does not use. Revenue from the sale of parts and supplies is measured at the fair value of the consideration received or receivable, net of returns. Revenue from the sale is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the control of goods have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Revenue recognition*** *(continued)*

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate unit of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

***Warranty costs***

Warranty costs that are not otherwise covered by suppliers are accrued upon the recognition of the related revenue, based on the Company's best estimate, with reference to past experience.

The accounting for warranties requires management to make assumptions and apply judgments when estimating product failure rates and expected costs. As of March 31, 2019, no warranty liabilities are accrued.

***Property and equipment***

*Recognition and Measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

*Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

*Major Maintenance and Repairs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

*Gains and Losses*

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

***Property and equipment*** *(continued)*

*Amortization*

Amortization is recognized in profit or loss and property and equipment are amortized using the straight-line method over their estimated useful lives:

| | |
|---|---|
| Equipment and tools | 36 months |
| Vehicles and forklift | 36 months |
| Containers | 24 months |
| Transformers | 24 months |
| Leasehold improvement | 24 months |

***Leases***

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income. If the lease contains a term that allows ownership to pass to the Company, or there is a bargain purchase option, the capitalized value is depreciated over the estimated useful life of the related asset. Otherwise, the capitalized value is depreciated on a straight-line basis over the lesser of the lease term and its estimated useful life. Capital lease obligations are included in the long-term debt of the Company and are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases.

***Impairment of Non-financial Assets***

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Impairment of Non-financial Assets*** (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

***Income taxes***

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***Share capital***

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Loss per share***

Basic loss per share is calculated by dividing the loss for the year attributable to the ordinary shareholders by the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

***Share-based payments***

The Company applies the fair value method to all share-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in share option reserve. When the options are exercised, share capital is credited for the consideration received and the related share option reserve is decreased.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received in the statement of comprehensive loss. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Amounts related to the issuance of shares are recorded as a reduction of share capital.

***Share issuance costs***

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

***Provisions***

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

***Financial instruments***

The Company uses IFRS 9, Financial Instruments ("IFRS 9")

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments*** (continued)

*Financial assets*
The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's receivables are measured at amortized cost

b) Fair value through other comprehensive income ("FVTOCI") - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Company does not have any financial assets classified as FVTOCI.

c) Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss. The Company's cash is classified as FVTPL.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

*Financial liabilities*
The Company's liabilities include accounts payable and due to related parties. The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

a) FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss.

b) Amortized cost – Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company's accounts payable, due to related parties and payable to MiningSky are classified at amortized cost.

   After initial recognition, an entity cannot reclassify any financial liability.

*Impairment*
The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Adoption of new or amended accounting standards***
The following new standards, and amendments to standards and interpretations, are effective for the period ended March 31, 2019, and have been applied in preparing these consolidated financial statements:

***IFRS 9 Financial Instruments*** – In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("IFRS 9") to replace IAS 30 – Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected-loss' impairment model, as well as a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 without restatement of prior year consolidated financial statements.

The Company assessed that there was no significant impact to the consolidated financial statements on the adoption of classification and measurement of its financial instruments, the classification under the new and old standard is set out below:

| Financial Instrument | IAS 39 | IFRS 9 |
|---|---|---|
| Cash | FVTPL | FVTPL |
| Receivables | Loans and receivables | Amortized cost |
| Accounts payable | Other financial liabilities | Amortized cost |
| Due to related parties | Other financial liabilities | Amortized cost |
| Payable to MiningSky | Other financial liabilities | Amortized cost |

***Future changes in accounting policies***

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2019 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

(a) IFRS 16, Leases
The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

(b) IFRIC 23, Uncertainty over Income Tax Treatments
The new standard provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

## 5. BUSINESS COMBINATION

On February 9, 2018, the Company entered into a share purchase agreement ("SPA") with 1151152 BC Ltd. ("1151152"), the only voting common shareholder of MiningSky Technology Ltd. ("MiningSky"). Pursuant to the SPA, the Company has acquired 100% of the issued and outstanding common shares of MiningSky from 1151152 by paying $20,000 in cash .

On September 10, 2018, the Company entered into a share exchange agreement (the "SEA") with MiningSky and all of the Class A common shareholders of MiningSky. In June 2018, MiningSky completed a non-brokered private placement by issuing 4,181,132 Class A common shares at $0.30 per share for total proceeds of $1,254,340. To acquire all of the issued and outstanding Class A common shares of MiningSky, the Company will issue one common share in exchange for each one Class A common shares of MiningSky. All of the Class A common shareholders of MiningSky will become shareholders of the Company under the transaction.

On September 18, 2018, both the SPA and the SEA transactions were completed and MiningSky became e a wholly-owned subsidiary of the Company.

In total, as consideration for acquiring 100% interest in MiningSky, the Company paid $20,000 in cash to acquire the 1 voting common share and issued 4,181,132 (836,226 post-consolidation) common shares of the Company to the members of MinnigSky to exchange for their non-voting shares on a 1:1 base. The fair value of the shares issued is assumed to be $0.35 per share ($1.73 per share post-consolidation), for total consideration of $1,442,490.

The acquisition is accounted for as a business as defined under IFRS 3 Business Combination.

The assets and liabilities of MiningSky assumed on the acquisition are as follows:

| | | |
|---|---|---|
| Assets acquired | | |
| Cash | $ | 416,662 |
| Receivables and prepaids | | 350,405 |
| Fixed assets | | 1,535,713 |
| Liabilities assumed | | |
| Accounts payable and accrued liabilities | | (770,260) |
| Due to related parties | | (280,246) |
| Due to Skychain | | (1,555,710) |
| Unearned revenue | | (27,067) |
| Customer deposits | | (245,745) |
| Net liabilities assumed | $ | (576,248) |
| | | |
| Consideration paid | | |
| Cash | $ | 20,000 |
| Shares | | 1,442,490 |
| Total consideration | $ | 1,462,490 |

The net liabilities of MiningSky of $576,248 assumed on the acquisition, are recognized initially at fair value. It is assumed the carrying amounts of MiningSky' net liabilities approximate fair value. The $2,038,738 of difference between the purchase consideration and the net liabilities assumed is recorded as goodwill on the statement of financial position which was then impaired as of March 31, 2019.

## 6. RECLAMATION DEPOSITS

As at March 31, 2019, the Company has $15,000 (2018 - $15,000) in term deposits, recorded at cost, which is held as security for the Provincial Government of British Columbia related to certain exploration and evaluation assets (See Note 7).

## 7. EXPLRATION AND EVALUATION ASSETS

Wood Mining Group, Kamloops, British Columbia

During the year ended March 31, 2018, the Company received a British Columbia Mining Exploration tax credit of $24,519 related to exploration undertaken in a prior year.

During the year ended March 31, 2018, the Company sold certain claims in the northern portion of the Wood Mining Group claims to New Gold Inc. for $75,000. As the carrying value was written down in a prior year due to impairment, the Company recorded a reversal of impairment on exploration and evaluation assets of $75,000.

During the year ended March 31, 2018, the Company wrote the remaining Wood Mining Group claims down to $nil to reflect the uncertainty related to its economic value.

As at March 31, 2019 and 2018, the Company holds 100% interest in the mineral claims which cover approximately 1,766 hectares.

## 8. RECEIVABLES

Receivables are comprised of the following:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | $ | $ |
| Hosting service income receivable | 10,477 | - |
| Goods and sales tax receivable | 7,631 | 5,017 |
| | 18,108 | 5,017 |

## 9. PREPAID EXPENSES

Prepaid expenses are comprised of the following:

| | March 31, 2019 | March 31, 2018 |
|---|---|---|
| | $ | $ |
| Lease expenses | 9,063 | - |
| Purchase of equipment | 75,159 | - |
| Rent deposit | 6,286 | - |
| Other prepaid expenses | 28,073 | 3,900 |
| | 118,581 | 3,900 |

## 10. PROPERTY AND EQUIPMENT

| | Vehicles | Transformers | Containers | Forklift | Leasehold improvement | Parts and tools | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance, March 31, 2018 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Acquired with MiningSky | 15,354 | 71,515 | 386,212 | 21,889 | 135,687 | 905,056 | 1,535,713 |
| Additions | - | 82,874 | 32,334 | - | 219,103 | 26,016 | 360,327 |
| Transfers | - | - | 158,318 | - | - | (158,318) | - |
| Balance, March 31, 2019 | $ 15,354 | $ 154,389 | $ 576,864 | $ 21,889 | $ 354,790 | $ 772,754 | $ 1,896,040 |
| **Accumulated amortization** | | | | | | | |
| Balance, March 31, 2018 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Additions | 3,175 | 29,582 | 161,362 | 4,008 | 86,843 | - | 284,970 |
| Balance, March 31, 2019 | $ 3,175 | $ 29,582 | $ 161,362 | $ 4,008 | $ 86,843 | $ - | $ 284,970 |
| **Net book value** | | | | | | | |
| As at March 31, 2018 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| As at March 31, 2019 | $ 12,179 | $ 124,807 | $ 415,502 | $ 17,881 | $ 267,947 | $ 772,754 | $ 1,611,070 |

During the year ended March 31, 2019, amortization expense of $281,795 (2018 - $Nil) was recorded as costs associated with hosting services and $3,175 (2018 - $Nil) was recorded in the general and administration expenses.

## 11. UNEARNED REVENUE

The Company invoices its customers one month in advance for providing services. The unearned revenue represents the portion of cash received exceeding the revenue recognized during the period.

## 12. CUSTOMER DEPOSITS

The Company usually requests a deposit equal to two months of services upon entering the host service agreements with the customers, of which 50% of deposit is usually applied to the first month of service, and the remaining will be held by the Company until the end of service agreement.

## 13. SHARE CAPITAL

***Authorized***

Unlimited common shares without par value

As at March 31, 2019, there were 6,390,197 (2018 – 3,688,077) common shares issued and outstanding.

***Share consolidation***

On February 21, 2019, the Company consolidated its shares on a basis of one (1) post consolidated share for five (5) pre consolidated shares. After share consolidation, the Company has 6,390,197 common shares issued and outstanding. In these consolidated financial statements, reference to common shares and per share amounts has been retroactively restated.

***Share issuance***

During the year ended March 31, 2019, the Company

1) closed a non-brokered financing by issuing 847,000 (169,400 post-consolidation) shares at $0.30 per share ($1.50 per share post-consolidation) for total proceeds of $254,100, of which $149,100 was received as of March 31, 2018. The Company issued 21,000 (4,200 post-consolidation) common shares as finder's fees and paid $4,589 legal and filing fees.

2) closed a non-brokered financing by issuing 7,702,833 (1,540,567 post-consolidation) shares at $0.30 per share ($1.50 per share post-consolidation) for total proceeds of $2,310,850, of which $1,293,950 was received as of March 31, 2018. The Company issued 758,677 (151,735 post-consolidation) common shares as finder's fees.

3) issued 4,181,132 (836,226 post-consolidation) shares to exchange for all of the issued and outstanding Class A common shares of MiningSky. The shares were valued at $0.35 per share ($1.725 per share post-consolidation). (Note 5)

There were no share issuances during the year ended March 31, 2018.

## 13. SHARE CAPITAL (continued)

***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 5 years. The vesting periods of stock options issued under the plan are determined at the discretion of the Board of Directors.

During the years ended March 31, 2019 and 2018, there were no options granted by the Company. As at March 31, 2019 and 2018, there were no stock options outstanding.

***Warrants***

A summary of share purchase warrant activity is as follows:

| | **Number of warrants** | **Weighted average exercise price** |
|---|---|---|
| Issued and outstanding, March 31, 2017 | - | $ - |
| Issued | 511,111 | $ 1.575 |
| Issued and outstanding, March 31, 2018 | 511,111 | $ 1.575 |
| Expired | (511,111) | $ 1.575 |
| Issued and outstanding, March 31, 2019 | - | $ - |

## 14. 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.

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:

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Salaries, CEO | **$** | **51,000** | $ | - |
| Consulting fees, CFO [1] | | **39,700** | | - |
| Total | **$** | **90,700** | $ | - |

(1) As at March 31, 2019, $1,050 (2018 - $Nil) remains payable to a company controlled by the CFO for accounting service, which is included in due to related parties

The Company incurred $58,796 (2018 - $19,750) as marketing and corporate communication expenses to a company controlled by a former director of the Company.

## 14. RELATED PARTY TRANSACTIONS (continued)

The Company incurred expenditures of $37,700 (2018 - $Nil) for internet service with Vling E Business (“Vling”), a company controlled by the CEO. As of March 31, 2019, an amount of $104,815 (2018 - $Nil) is included in due to related parties.

As of March 31, 2019, the Company owes $61,747 (2018 - $Nil) to a director of the Company.

As of March 31, 2019, the Company owes $93,000 (2018 - $Nil) to 1151152 BC Ltd., a significant shareholder controlled by the CEO and a director.

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

## 15. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders’ equity. The Company’s objectives in managing capital are to safeguard the Company’s ability to continue as a going concern, ensure sufficient capital and liquidity to complete its technology developments, establish commercial markets and purse its growth strategy.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the development efforts, the Company does not pay out dividends during its development stage.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

## 16. FAIR VALUE OF FINANCIAL INSTRUCMENTS AND RISK MANAGEMENT

***Fair Values and Classification of Financial Instruments***

As at March 31, 2019, the Company’s financial instruments comprised cash, cash in trust, receivables, accounts payable, payable to MiningSky and due to related parties. 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 March 31, 2019 and 2018 cash of $142, 093 and $1,568,470 was classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year.

## 16. FAIR VALUE OF FINANCIAL INSTRUCMENTS AND RISK MANAGEMENT (continued)

***Currency risk***

A 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 March 31, 2019.

***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 March 31, 2019, the Company had a cash balance of $142,903 to settle current liabilities of $1,023,930. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs to raise additional funds to sustain its operation for the next 12 months.

***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 currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risks 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.

## 17. SEGMENTED INFORMATION

The Company has one reportable segment. The Company provides cryptominers all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services in Canada.

## 18. COMMITMENT

MiningSky entered a lease arrangement in March 2018 for its facility in Houston, British Columbia for a period of 2 years with an option to renew for another 3 years. Pursuant to the terms and conditions of the lease agreement, MiningSky is required to make an annual lease payment of $162,000 plus operating costs. MiningSky also rented two offices in Vancouver expiring on August 31, 2021, one office of which was subleased to a subtenant starting April 1, 2019.

The total lease commitment is summarized as follows:

| 2020 | 2021 | 2022 | Total |
|---:|---:|---:|---:|
| $ 224,018 | $ 64,923 | $ 27,838 | $ 316,779 |

## 19. LITIGATION

In March 2018, the Company entered into a service agreement with Questflex Inc. (“Questflex”), according to which Questflex shall provide to the Company certain technology and management consulting services. The Company made the first payment of $20,000, and then withheld the remaining $80,000 as it believes that the service contract was not complete according to what was agreed. In June 2019, Questflex filed a Notice of Civil Claim at the Supreme Court of BC to claim the payment of the $80,000 balance. The Company intends to defend itself against the claim and has engaged legal counsels to assist.

## 20. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

| | 2019 | 2018 |
|---|---:|---:|
| | $ | $ |
| Combined statutory tax rate | 27% | 26% |
| Income tax recovery at combined statutory rate | 918,303 | 3,868 |
| Permanent difference and others | (146,383) | - |
| Change in tax rate | (537) | 19,241 |
| Deferred tax asset not recognized | (771,383) | (23,109) |
| Net deferred tax recovery | - | - |

## 20. INCOME TAXES (continued)

The tax effects of temporary differences that give rise to significant components of the deferred tax assets are presented below:

| | **2019** | **2018** |
|---|---|---|
| | $ | $ |
| Non-capital losses carry forward | 1,105,271 | 334,658 |
| Resource development and exploration costs | 351,358 | 351,358 |
| Equipment | 4,943 | 4,943 |
| Share issuance costs | 1,434 | 664 |
| Net deferred tax assets not recognized | 1,463,006 | 691,623 |

As at March 31, 2019 the Company has approximately $4,092,000 of non-capital losses carry forward available to reduce taxable income for future years. These losses expire as follows:

| | **$** |
|---|---|
| 2026 | 72,000 |
| 2027 | 109,000 |
| 2028 | 111,000 |
| 2029 | 134,000 |
| 2030 | 111,000 |
| 2031 | 105,000 |
| 2032 | 99,000 |
| 2033 | 97,000 |
| 2034 | 75,000 |
| 2035 | 108,000 |
| 2036 | 109,000 |
| 2037 | 18,000 |
| 2038 | 1,583,000 |
| 2039 | 1,362,000 |
| | 4,092,000 |

The Company also has certain allowances in respect of resource development and exploration costs of approximately $1,301,000 which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

In assessing the reliability of deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

## 21. EVENTS SUBSDQUENT TO THE REPORTING PERIOD

### Loan

On June 18, 2019, MiningSky, the Company's subsidiary, received a loan facility of up to $150,000 from Houston BC Mining Power Corp. (the "Lender"). MiningSky currently provides the Lender hosting services at Houston site since April 2018.

The proceeds will be used to build a higher-voltage power substation at the Houston site. The loan is due and repayable (the "Maturity") on the date that is the earlier of i) August 15, 2020, and ii) when the substation becoming fully permitted for operation. The loan bears an interest of 15% per annum starting August 15, 2019 and repayable at the following schedule:

i) 25% of the loan principal plus any accrued interest on the last day of the $6^{th}$ month following the Maturity;
ii) 25% of the loan principal plus any accrued interest on the last day of the $12^{th}$ month, $18^{th}$ month and $24^{th}$ month following the Maturity.

In consideration of the Lender providing the loan to MiningSky, Miningsky agreed to pay the Lender a fee equal to $0.003 per KWH for all the power used through the substation, and reduce its hosting service price from $0.10 per KWH to $0.0125 per KWH plus electrical costs.

MiningSky provided all of its present and future personal property as security to the Lender.

### Equipment rental and assignment

In May 2018, MiningSky ordered a transformer from Trinity Power Corporation for total consideration of US$87,000 and made a deposit of US$58,240 ($75,158). On June 24, 2019, MiningSky, the Company's subsidiary, entered into an Equipment Rental Agreement and an Assignment Agreement with Houston BC Mining Power Corp. (the "Lender"). According to the agreements, the Lender will make the remaining payment on behalf of MiningSky and as a return, it will take over all rights of the transformer. MiningSky will rent the transformer from the Lender at a rate of $4,000 per month for a period of 24 months starting from the earlier of September 1, 2019 or when the transformer is delivered to MiningSky's Houston site.