

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**For the Six Months ended September 30, 2019**

**(Unaudited)**

## **UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review on interim financial statements by an entity's auditor.

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
AS AT

	<b>September 30, 2019</b>	<b>March 31, 2019</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 139,565	\$ 142,093
Cash in trust	-	6,424
Receivables (Note 7)	32,737	18,108
Prepaid expenses (Note 8)	64,283	118,581
<b>Total current assets</b>	<b>236,585</b>	<b>305,690</b>
Reclamation deposits (Note 6)	15,000	15,000
Right-of-use assets (Note 9)	641,631	-
Net investment in sublease (Note 9)	108,464	-
Property and equipment (Note 10)	1,274,416	1,611,070
<b>Total assets</b>	<b>\$ 2,276,096</b>	<b>\$ 1,931,760</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 536,896	\$ 735,535
Due to related parties (Note 15)	154,224	260,611
Unearned revenue (Note 11)	-	7,300
Short-term lease liabilities (Note 9)	214,190	-
<b>Total current liabilities</b>	<b>905,310</b>	<b>1,023,930</b>
Customer deposits (Note 12)	268,379	286,226
Long-term loan (Note 13)	51,135	-
Long-term lease liabilities (Note 9)	582,746	-
<b>Total liabilities</b>	<b>1,807,571</b>	<b>1,310,156</b>
<b>Equity</b>		
Share capital (Note 14)	7,945,047	7,945,047
Reserves	175,458	175,458
Share subscriptions (Note 14)	345,000	-
Accumulated other comprehensive loss	(2,086)	(985)
Deficit	(7,994,894)	(7,497,916)
	468,526	621,604
<b>Total liabilities and equity</b>	<b>\$ 2,276,096</b>	<b>\$ 1,931,760</b>

**NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS** (Note 1)  
**LITIGATION** (Note 19)

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

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Six months ended September 30, 2019	Six months ended September 30, 2018
<b>REVENUE</b>				
Hosting services	\$ 455,975	\$ 86,618	\$ 971,619	\$ 86,618
Export Sales	158,522	-	158,522	-
Consulting Income	5,000	-	5,000	-
<b>COSTS OF GOODS SOLD</b>				
Amortization (Note 10)	(166,702)	(14,781)	(333,404)	(14,781)
Hosting operation costs	(506,872)	(57,699)	(1,044,730)	(57,699)
<b>Gross profit</b>	<b>(54,077)</b>	<b>14,138</b>	<b>(242,993)</b>	<b>14,138</b>
<b>EXPENSES</b>				
Accounting fees (Note 15)	13,100	19,350	18,100	28,250
Accretion of interest (Note 9)	27,300	-	48,972	-
Amortization (Note 10)	1,488	199	2,976	199
Amortization of right-of-use-assets (Note 9)	14,939	-	29,878	-
Consulting	4,844	7,219	6,602	10,144
Legal fees	8,670	41,653	16,745	67,995
Marketing and corporate communication (Note 15)	-	20,043	1,110	39,693
Office and miscellaneous	11,821	2,168	18,769	2,168
Rent	-	120,000	-	120,000
Registration and filing fee	-	21,531	1,300	33,031
Salary and benefits (Note 14)	35,894	37,966	83,279	37,966
Transfer agent	5,137	2,684	7,958	4,673
Travel	4,023	2,306	9,232	2,306
	(127,246)	(275,119)	(244,921)	(346,425)
<b>Loss before other items</b>	<b>(181,324)</b>	<b>(260,981)</b>	<b>(487,915)</b>	<b>(332,287)</b>
<b>OTHER ITEMS:</b>				
BC Mining Exploration tax credit	-	-	-	-
Write-off equipment	-	-	-	-
<b>Net income (loss) for the period</b>	<b>(181,324)</b>	<b>(260,981)</b>	<b>(487,915)</b>	<b>(332,286)</b>
<b>Other comprehensive loss</b>				
Item that may be reclassified subsequently to loss				
Unrealized foreign exchange translation	(1,864)	2	(1,101)	2
<b>Comprehensive (loss) income for the period</b>	<b>\$ (183,187)</b>	<b>\$ (260,979)</b>	<b>\$ (489,015)</b>	<b>\$ (332,285)</b>
<b>(Loss) income per share – basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>	<b>\$ (0.08)</b>
<b>Weighted average number of shares outstanding</b>	<b>6,390,197</b>	<b>4,238,485</b>	<b>6,390,197</b>	<b>4,004,565</b>

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

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Share capital		Share subscriptions	Share subscription receivable	Reserves	Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount						
<b>Balance at March 31, 2018</b>	<b>3,688,077</b>	<b>\$ 3,942,196</b>	<b>\$ 1,413,050</b>	<b>\$ -</b>	<b>\$ 17,548</b>	<b>\$ -</b>	<b>\$ (4,096,791)</b>	<b>\$ 1,433,913</b>
Private placement, net of issuance cost	216,400	324,600	(119,100)	(70,500)	-	-	-	135,000
Share issuance cost – finder's fee	4,200	(1,654)	-	-	-	-	-	(1,654)
Loss and other comprehensive loss for the period	-	-	-	-	-	-	(71,306)	(71,306)
<b>Balance at September 30, 2018</b>	<b>3,908,677</b>	<b>4,265,142</b>	<b>1,293,950</b>	<b>(70,500)</b>	<b>175,458</b>	<b>-</b>	<b>(4,168,097)</b>	<b>1,495,953</b>
Private placement, net of issuance cost	1,493,567	2,237,415	(1,293,950)	70,500	-	-	-	1,013,965
Shares issued to acquire MiningSky	836,226	1,442,490	-	-	-	-	-	1,442,490
Share issuance cost – finder's fee	151,736	-	-	-	-	-	-	-
Share consolidation rounding	(9)	-	-	-	-	-	-	-
Loss and other comprehensive loss for the period	-	-	-	-	-	(985)	(3,329,819)	(3,330,804)
<b>Balance at March 31, 2019</b>	<b>6,390,197</b>	<b>7,945,047</b>	<b>-</b>	<b>-</b>	<b>175,458</b>	<b>(985)</b>	<b>(7,497,916)</b>	<b>621,604</b>
Impact of adoption of new lease standards (Note 4)	-	-	-	-	-	-	(9,063)	(9,063)
Private placement	-	-	345,000	-	-	-	-	345,000
Loss and other comprehensive loss for the period	-	-	-	-	-	1,101	(487,915)	(487,915)
<b>Balance at September 30, 2019</b>	<b>6,390,197</b>	<b>\$ 7,945,047</b>	<b>\$ 345,000</b>	<b>\$ -</b>	<b>\$ 175,458</b>	<b>\$ (2,086)</b>	<b>\$ (7,994,894)</b>	<b>\$ 469,626</b>

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

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	Six months ended September 30, 2019	Six months ended September 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (487,915)	\$ (332,287)
Item not involving cash:		
Amortization	2,976	199
Amortization in cost of operation	333,404	14,781
Amortization of right-of-use assets	29,878	-
Amortization of right-of-use assets in cost of operations	76,014	-
Accretion of interest	48,972	-
Write-off of prepaids in cost of operations	75,159	-
Changes in non-cash working capital items:		
Receivables	(14,629)	1,482
Prepaid expenses	54,298	9,525
Customer deposits	(17,847)	-
Unearned revenue	(7,300)	(8,543)
Accounts payable and accrued liabilities	(198,639)	45,848
Due to related parties	(106,387)	12,973
Net cash (used in) obtained from operating activities	(212,016)	(256,022)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash in trust	6,424	-
Purchase of property and equipment	(61,539)	-
Cash advanced to MiningSky	-	(1,382,853)
Net cash used in investing activities	(55,115)	(1,382,853)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issuances	-	1,151,900
Share issue costs	-	(1,654)
Share subscription received in advance	345,000	-
Proceeds from long-term loan	51,135	-
Lease payment	(131,532)	-
Net cash provided by financing activities	264,603	1,150,246
<b>Change in cash for the period</b>	(2,528)	(488,629)
Effect of exchange rate changes on balance of cash held in foreign currencies	-	(320)
<b>Cash, beginning of period</b>	142,093	1,568,470
<b>Cash, end of period</b>	\$ 139,565	\$ 1,079,521
<b>Non-cash transaction in the investing and financing activities</b>		
<b>Issuance of common share to acquire MiningSky</b>		\$ 1,254,340

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

## **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 unaudited condensed consolidated interim 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 September 30, 2019 the Company had accumulated a deficit of \$7,994,894 which has been funded primarily by the issuance of equity. 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 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 financial statements.

## **2. BASIS OF PREPARATION AND GOING CONCERN**

### *Statement of compliance*

These unaudited condensed consolidated interim financial statements ("Financial Statements") have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and therefore, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2019.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2019.

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

*Basis of measurement*

These consolidated interim 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information.

*Functional and presentation currency*

The Company's consolidated interim 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 interim 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 unaudited condensed consolidated interim financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the 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**

These Condensed Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended March 31, 2019.

*Adoption of new accounting policies*

IFRS 16, Leases ("IFRS 16") was adopted on April 1, 2019, using the modified retrospective approach. This approach does not require restatement of prior period financial information as it applies the standard prospectively. This standard replaced IAS 17, Leases ("IAS 17"). Under IAS 17, operating lease expenditures were expensed on a straight-line basis over the lease term whereas under IFRS 16, there is an increased focus on control of the underlying asset.

*Right-of-use ("ROU") asset*

A lease is a contract that transfers substantially all the risks and rewards incidental to ownership of an identified asset. The Company initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term.

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

*Adoption of new accounting policies (continued)*

Net investment in sublease

If a sublease is classified as a finance lease, the original lessee derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment at period end.

Lease liabilities

Lease liabilities include the present value of future fixed payments, less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using the Company's incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. After the commencement date, the Company continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to right-of-use assets.

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of operations and comprehensive loss over each lease's term. Lease payments are applied against lease liabilities using the effective interest method.

Short-term leases with an initial lease term of less than twelve months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases can be accounted for as either leases or expensed.

Adoption of IFRS 16

The Company has adopted IFRS 16 Leases from April 1, 2019 and has elected to use the modified retrospective approach. The cumulative effect of initial application is recognized in retained earnings as at April 1, 2019 and the Company will not restate comparative information for prior periods presented. The details of the changes in accounting policy are discussed below.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16 namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases assets including mining site, office, and vehicles. Previously under IAS 17 the Company classified leases as operating or finance leases based on whether the lease transferred substantially all of the risks and rewards of ownership. The Company previously did not have any leases that were classified as finance leases. Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew. The Company has recognized low-value assets and short-term lease payments as an expense on a straight-line basis over the lease term. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components for which the Company is the lessee and has accounted for the combined amounts as a single lease component.

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

*Adoption of new accounting policies (continued)*

The Company recognizes a right of use asset as a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The Company has elected to use the practical expedient of excluding initial direct costs from the measurement of the right of use asset cost at the date of initial application.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date adjusted for lease prepayments and lease incentives, discounted using the interest rate implicit in the lease, or if not readily determinable, the incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company presents right of use assets on the statement of financial position as follows:

	Mining site	Office	Motor Vehicles	Right of Use Asset
Balance as at April 1, 2019	\$ 608,108	\$ 115,433	\$ 23,983	\$ 747,523

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right of use assets recognized. The Company has used the practical expedient of applying hindsight in assessing certain lease extension options. The Company has also used judgement in determining the incremental borrowing rate based on the term, security, the lessee entities economic environment, credit rating, level of indebtedness and asset specific adjustments.

The impact on the balance sheet as at April 1, 2019 is as follows:

	As at
	April 1, 2019
Right of use assets	\$ 747,523
Net investment in sublease	131,973
Long term lease liability	(879,496)
Retained Earnings	(9,063 )

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate as at April 1, 2019 which was 12%.

**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 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 (836,266 post-consolidation) common shares of the Company to the members of MiningSky 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	<u>\$ (576,248)</u>
Consideration paid	
Cash	\$ 20,000
Shares	1,442,490
Total consideration	<u>\$ 1,462,490</u>

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.

**SKYCHAIN TECHNOLOGIES INC.**  
**(FORMERLY GREEN VALLEY MINE INCORPORATED)**  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019  
(Unaudited)  
(Expressed in Canadian dollars)

**6. RECLAMATION DEPOSITS**

As at September 30, 2019, the Company has \$15,000 (March 31, 2019 - \$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 called Wood Mining Group claims in British Columbia, Canada. Tthe Company wrote off the Wood Mining Group claims to \$nil during the year ended March 31, 2018.

**7. RECEIVABLES**

Receivables are comprised of the following:

	September 30, 2019	March 31, 2019
	\$	\$
Hosting service income receivable	24,914	10,477
Goods and sales tax receivable	7,823	7,631
	<u>32,737</u>	<u>18,108</u>

**8. PREPAID EXPENSES**

Prepaid expenses are comprised of the following:

	September 30, 2019	March 31, 2019
	\$	\$
Lease expenses	-	9,063
Deposit for purchase of equipment	-	75,159
Rent deposit	6,286	6,286
Other prepaid expenses	57,997	28,073
	<u>64,283</u>	<u>118,581</u>

*Prepaid deposit for purchase of equipment*

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 (\$75,159). 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. As a result, the Company wrote off the prepaid deposit of \$75,159 to the cost of operations.

**9. RIGHT-OF-USE (“ROU”) ASSETS, NET INVESTMENT IN SUBLEASE AND LEASE LIABILITIES**

a) *Right-of-use assets*

A reconciliation of the Company’s right-of-use assets for the six months ended September 30, 2019 is as follows:

	<b>Total</b>
Balance, April 1, 2019	\$ 747,523
Amortization of ROU	(29,878)
Amortization of ROU in cost of operations	(76,014)
Balance, September 30, 2019	<u>\$ 641,631</u>

b) *Lease liabilities*

A reconciliation of the Company’s lease liabilities for the six months ended September 30, 2019 is as follows:

	<b>Total</b>
Balance, April 1, 2019	\$ (879,496)
Accretion of interest	(48,972)
Lease payments	131,532
Balance, September 30, 2019	<u>\$ (796,936)</u>
Short-term lease, September 30, 2019	<u>\$ (214,190)</u>
Long-term lease, September 30, 2019	<u>\$ (582,746)</u>

As at September 30, 2019, the Company measured the present value of its lease liabilities using a discount rate of 12% as determined from its incremental borrowing rate.

c) *Net investment in sublease*

A reconciliation of the Company’s net investment un sublease for the six months ended September 30, 2019 is as follows:

	<b>Total</b>
Balance, April 1, 2019	\$ 131,973
Investment income received	(23,509)
Balance, September 30, 2019	<u>\$ 108,464</u>

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**10. PROPERTY AND EQUIPMENT**

	<b>Vehicles</b>	<b>Transformers</b>	<b>Containers</b>	<b>Forklift</b>	<b>Leasehold improvement</b>	<b>Parts and tools</b>	<b>Total</b>
<b>Cost</b>							
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
Additions	-	-	-	-	-	15,728	15,728
Transfers	-	-	-	-	-	(16,000)	-
Balance, September 30, 2019	\$ 15,354	\$ 154,389	\$ 576,864	\$ 21,889	\$ 354,790	\$ 772,482	\$ 1,895,768
<b>Accumulated amortization</b>							
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
Additions	2,976	41,650	160,701	3,700	127,355	-	336,382
Balance, September 30, 2019	\$ 6,151	\$ 71,323	\$ 322,063	\$ 7,708	\$ 214,198	\$ -	\$ 621,352
<b>Net book value</b>							
As at March 31, 2019	\$ 12,179	\$ 124,807	\$ 415,502	\$ 17,881	\$ 267,947	\$ 788,482	\$ 1,611,070
As at September 30, 2019	\$ 9,203	\$ 83,157	\$ 254,801	\$ 14,181	\$ 140,592	\$ 772,482	\$ 1,274,416

During the six months ended September 30, 2019, amortization expense of \$333,406 (2018 - \$14,781) was recorded as costs associated with hosting services and \$2,976 (2018 - \$199) 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. LONG-TERM 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<sup>th</sup> month following the Maturity;
- ii) 25% of the loan principal plus any accrued interest on the last day of the 12<sup>th</sup> month, 18<sup>th</sup> month and 24<sup>th</sup> 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.

During the three months ended September 30, 2019, the Company received loan proceeds of \$51,135. As of September 30, 2019, the balance of the loan is \$51,135 (March 31, 2019 - \$Nil).

**14. SHARE CAPITAL**

*Authorized*

Unlimited common shares without par value

As at September 30, 2019, there were 6,390,197 (March 31, 2019 – 6,390,197) 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.



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**14. SHARE CAPITAL** (continued)

*Share issuance*

During the six months ended September 30, 2019, the Company

1) announced on May 21, 2019 a non-brokered financing of units at \$.10 per unit; each unit consists of one common share and one share purchase warrant exercisable at \$0.20 per share for proceed of one year. As of September 30, 2019, the Company received \$345,000 share subscriptions and closed the offering.

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 \$4,588 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)

*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.

There were no stock option transactions during the three months ended September 30, 2019 or the year ended March 31, 2019.

*Warrants*

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Issued and outstanding, March 31, 2018	511,111	\$ 1.575
Expired	(511,111)	\$ 1.575
Issued and outstanding, March 31, 2019 and September 30, 2019	-	\$ -

**15. RELATED PARTY TRANSACTIONS**

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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:

	<b>Three months ended September 30, 2019</b>	Three months ended September 30, 2018
Salaries, CEO	\$ 18,000	\$ 6,000
Consulting fees, former CFO	-	27,800
<b>Total</b>	<b>\$ 18,000</b>	<b>\$ 8,900</b>

The Company incurred \$Nil (2018 - \$39,296) as marketing and corporate communication expenses to a company controlled by a former director of the Company.

As of September 30, 2019, the Company owes \$24,511 (March 31, 2019 - \$104,815) to Vling E Business (“Vling”), a company controlled by the CEO.

As of September 30, 2019, the Company owes \$61,713 (March 31, 2019 - \$61,747) to a director of the Company.

As of September 30, 2019, the Company owes \$68,000 (March 31, 2019 - \$93,000) 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.

## **16. 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 pursue 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.

## **17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

As at September 30, 2019, the Company's financial instruments comprised cash, receivables, accounts payable and accrued liabilities, due to related parties, long-term loan and lease liabilities. With the exception of cash, which is measured at FVTPL, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities.

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

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

At September 30, 2019 and March 31, 2019 cash of \$139,565 and \$142,093 is classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the period.

### *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 September 30, 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 September 30, 2019, the Company had a cash balance of \$139,565 to settle current liabilities of \$905,310. 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.

**17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*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.

**18. 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.

**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 is 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.

As of September 30, 2019, and March 31, 2019, the Company accrued the \$80,000 in accounts payable and accrued liabilities.

**20. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

On October 28, 2019, the Company announced that its subsidiary, Miningsky Technology LTD has filed a Supreme Court claim against a previous employee serving as CTO and Vice President, Zetong Zhang (AKA Zee Zhang), regarding possession of crypto currency assets (Court File No. S-198449). The amount of the claim, if successful against the Company, isn't considered by management to cause a material adverse effect on the Company's operations. A trial date for the claim is expected in March 2020.

On November 7, 2019, the Company announced that it is conducting a non-brokered private placement financing of a minimum of 1,000,000 units (the "Units") up to a maximum of 2,000,000 units (the "Units") at a price of C\$0.05 per Unit (the "Offering"), for minimum aggregate proceeds of \$50,000 up to a maximum of C\$100,000. Each Unit will consist of one common share (a "Common Share") in the capital of the Corporation and one transferable Common Share purchase warrant (a "Warrant"), with each Warrant entitling the holder thereof to purchase one Common Share of the Corporation at an exercise price of C\$0.06 per Common Share for a period of 6 months from the closing of the Offering.