SKYCHAIN TECHNOLOGIES INC.
(FORMERLY GREEN VALLEY MINE INCORPORATED)
Management Discussion and Analysis
For the Three Month Period ended June 30, 2019

This management discussion and analysis of the financial position and results of operation ("MD&A") for Skychain Technologies Inc. (formerly Green Valley Mine Incorporated) ("Skychain" or the "Company") is prepared as at August 27, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019 and in conjunction with the audited financial statements for the year ended March 31, 2019.

The unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard ("IFRS") and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

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

FORWARD-LOOKING STATEMENT

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

DESCRIPTON OF BUSINESS

Skychain Technologies Inc. (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 is in the business of providing services to cryptominers all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services. After the acquisition of MiningSky and the change of business, the Company began trading on the TSX Venture exchange on September 25, 2018 as a Tier 2 Technology Issuer.

The Company currently has the following projects:

Houston, British Columbia

In March of 2018, MiningSky entered into a lease agreement (the “West Point Rail Lease”) with the West Point Rail and Timber Co. Ltd. to lease a portion of land, building and office space at West Point Rail’s Houston, B.C. property (the “Houston Facility”). The Houston Facility started operating commercially in May 2018 and generated substantially all of the Company’s revenue in the quarter.

With respect to the Houston Facility, The Company has currently entered into hosting service agreements with several customers. The Company requires customers pay a deposit (the “Deposit”) upon signing a hosting services agreement. Customers are charged a hosting fee per MW of power provided. The amount of the Deposit is equal to at least two month’s hosting fees. The Deposit will be applied to the first month’s hosting service fee and to the final month’s hosting fee. Any amount remaining will be returned to the customer at the end of the hosting service term.

Miningsky Containers & Equipment:

MiningSky is transforming shipping containers (“MS Containers”) into turn-key crypto-mining systems permitting portability and rapid deployment. The Company is able to quickly deliver each modified MS Container to the power supply site/hosting location where it is essentially plugged in. Miningsky has developed a complete data mining construction solution, which will enable data mining site setup at a significant cost savings and can be fully installed within 60 days. The Miningsky electricity solution enables a site with 1MW (1000KW) electricity supply to be setup under $250,000, which may be a savings of as much as half of a traditional electric power site setup cost.

The Miningsky solution utilizes a new generation design for data mining construction made for the unique North American electricity system.

BUSINESS ACQUISITION

Acquisition of MiningSky and change of business

On September 18, 2018, the transactions were completed to result MiningSky becoming 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 shares and issued 4,181,132 common shares of the Company to the members of MinnigSky to exchange for the 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. (Refer to note 5 of the quarterly financial statements for further details).

BUSINESS UPDATE

On August 9, 2019 the Company received the required deposit and agreement for sale of its 1250KVA Transformer and accessories, to its client in Milwaukee WI. The Company is offering the client the right to acquire seven more Transformers within 12 months at the same terms as the initial purchase. The sales are for a planned data mining site to be supplied up to 10MW of power using the Miningsky electricity solution.

On August 7, 2019, the Company appointed Tang Tang to the Board of Directors and Mr. Donald Gordon as Chief Financial Officer. Mr. James Haft resigned from the Board of Directors.

On July 9, 2019, the Company announced a private placement of up to 4,000,000 shares at $0.10 per share for total proceeds up to $400,000.

On June 19, 2019, the Company announced to increase its recently announced private placement from $1,6000,000 to $1,800,000. The Company also intends to settle $250,000 of debts by issuing shares at $0.10 per share.

On April 18, 2019, the Company appointed Mr. Chris Chen to the Board of Directors.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited selected financial information for each of the last eight quarters ended June 30, 2019, all in accordance with IFRS.

	Three Months Ended June 30, 2019	Three Months Ended March 31, 2019**	Three Months Ended December 31, 2018	Three Months Ended September 30, 2018*
Total assets	$ 2,580,838	$ 1,931,760	$ 4,176,217	$ 4,811,227
Working capital (deficiency)	(714,710)	(718,240)	(427,753)	364,744
Goodwill	-	-	1,851,483	1,851,483
Shareholders' equity (deficiency)	651,713	621,604	2,867,556	3,506,214
Net Income (loss)	(306,591)	(2,430,902)	(637,936)	(260,981)
Earnings (loss) per share	(0.05)	(0.46)	(0.02)	(0.02)

	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017
Total assets	$ 1,526,759	$ 1,612,387	$ 50,241	$ 66,991
Working capital (deficiency)	1,460,953	1,398,913	(8,110)	(11,530)
Shareholders' equity (deficiency)	1,495,953	1,433,913	6,891	(26,531)
Net Income (Loss)	(71,306)	(13,974)	(19,640)	(4,382)
Earnings (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

* The Company completed the acquisition of MiningSky on September 18, 2018 and became a Tier 2 technology issuer.
** The Company wrote off $2,038,738 of goodwill during the three months ended March 31, 2019.

RESULTS OF OPERATOIN

The Company completed its acquisition of MiningSky and the change of business process on September 18, 2018. The Company was in the junior exploration industry, and currently is a Tier 2 technology issuer. The Company obtained the control of MiningSky as of September 18, 2018; therefore, the operation results for three months ended June 30, 2019 and 2018 are not comparable.

For the three months ended June 30, 2019.

During the three months ended June 30, 2019, the Company incurred losses of $306,591 (2018 - $71,306). The losses are mainly comprised of the following items:

- The Company generated hosting service revenue of $515,644 (2018 - $Nil) and incurred operating cost of $537,858 (2018 - $Nil) and $166,702 (2018 - $Nil) of amortization costs related to equipment, containers, transformers and leasehold improvement at Houston site;
- Accounting fees of $5,000 (2018 - $8,900) was mainly for work related to yearend audit;
- Accretion of interest of $21,642 (2018 - $Nil) was on lease liabilities resulted from the adoption of the new accounting standards on lease;
- Amortization of $14,939 (2018 - $Nil) is on the right-of-use assets recognized as of April 1, 2019 due to the adoption of the new accounting standards on lease;
- Legal fees of $8,075 during the current three months ended June 30, 2019 was for corporate matters; legal fee of $26,342 for the comparative three-month period was mainly associated with the change of control and change of business transactions;
- Marketing and corporate communication fees of $19,650 for the comparative three-month period was to a company controlled by a former director for preparation of website, news release and other investor relationship work;
- Office and miscellaneous of $6,948 (2018 - $Nil) was for office telephone, internet, supplies, meals & entertainment, and etc.;
- Salary and benefits of $47,385 (2018 - $Nil) is paid to MiningSky employees located in Vancouver office including $18,000 (2018 - $Nil) to the CEO;
- Registration and filing fee of $1,300 (2018 - $11,500) was higher in the comparative three-month period due to filing fees in relation to the change of business transaction;
- Transfer agent fee of $2,821 (2018 - $1,989) is comparable;
- Travel expenses of $5,209 (2018 - $Nil) are mainly for trips between Vancouver and Houston site.

LIQUIDITY AND CAPITAL RESOURCES

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

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

	June 30, 2019	March 31, 2019
Working capital (Deficiency)	$ (714,710)	$ (718,240)
Deficit	(7,813,570)	(7,497,916)

Net cash used in operating activities for the three months ended June 30, 2019 was $14,478 compared to $68,744 during the comparative three-month period.

Net cash used in investing activities for the three months ended June 30, 2019 included purchase of property and equipment of $253,570, offset with $11,558 of income from the office sublease and $6,424 of deposit from lawyer's trust. During the three months ended June 30, 2018, the Company advanced $1,061,000 to MiningSky.

During the three months ended June 30, 2019, the Company received $345,000 of share subscription in relation with a proposed private placement announced on May 21, 2019, and $51,135 from a long-term loan facility. The

Company paid $68,624 in relation of lease of Houston mining site, Vancouver office and a vehicle. During the three months ended June 30, 2018, the Company received $135,000 from the issuance of shares.

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

RELATED PARTY TRANSACTIONS

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

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:

	Three months ended June 30, 2019	Three months ended June 30, 2018
Salaries, CEO	**$ 18,000**	$ -
Consulting fees, former CFO	**-**	8,900
Total	**$ 18,000**	$ 8,900

The Company incurred $Nil (2018 - $19,650) as marketing and corporate communication expenses to a company controlled by a former director of the Company.

As of June 30, 2019, the Company owes $24,510 (March 31, 2019 - $104,815) to Vling E Business (“Vling”), a company controlled by the CEO.

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

As of June 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.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair Values and Classification of Financial Instruments

As at June 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 June 30, 2019 and March 31, 2019 cash of $219,501 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 June 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 June 30, 2019, the Company had a cash balance of $219,501 to settle current liabilities of $1,006,948. 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.

Capital management

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

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

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL JUDGEMENTS AND ESTIMATES

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

All of the Company's significant accounting policies and estimates are included in Notes 3 and 4 of the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2019 and its audited 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.

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 expect 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.

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 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%.

SUBSEQUENT EVENTS

On July 9th the Company announced a placement and that offering is closing with $345,000 raised and issuance of 3,450,000 shares placed @$.10 per share and 1,150,000 share purchase warrants each warrant exercisable for one year @$.20 per share. The original announced placement was for $400,000. The placement announced June 19th 2019 to raise $1.8 million is terminated and did not proceed.
1,530,810 shares are being issued to settle $153,081 of debt.

OFF BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

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 withhold the remaining $80,000 as it believes that the service contract is not completed 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 has disagreement and is currently engaging a lawyer to deal with the claim. The Company intends to defend itself against the claim and has engaged legal counsels to assist.

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

COMMITMENTS

N/A

OUTSTANDING SHARE DATA

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares issued or issuable
Common shares	6,390,197
Stock options	-
Warrants	-

DISCLOSURE CONTROLS AND PROCEDURES

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

Management's Responsibility for Financial Statements

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

BUSINESS RISKS

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

Crypto-currency industry

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

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

Malicious actors

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

Insufficient miner incentives

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

Fluctuations in utility and operating costs associated with cryptomining ventures

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

Intellectual property rights claims may adversely affect operations

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

Crypto-currency price fluctuations

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

Competition from other crypto-currency companies

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

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

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

Infringement of intellectual property rights

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

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

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

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

Regulatory changes may result in extraordinary, non-recurring expenses

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

Expansion risk

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

Technological advancements

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

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

Risk of obsolescence

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

Additional funding requirements

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

Limited operating history

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