

WORLD MAHJONG LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016

World Mahjong Limited
Management's Discussion and Analysis
Year Ended December 31, 2016

Management's discussion and analysis ("MD&A") provides a review of the performance of World Mahjong Limited (the "Company") operations and has been prepared on the basis of available information up to May 1, 2017 and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is Canadian dollars and all dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Some of the statements made in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Caution on Forward-Looking Statements

The MD&A contains certain forward-looking statements concerning anticipated developments in the Company's operation in future periods. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements are set forth principally under the heading "Outlook" in the MD&A and may include statements regarding exploration results and budgets, work programs, capital expenditures, timelines, strategic plans, or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes, arbitration and litigation, fluctuations in prices and currency exchange rates; uncertainty of estimates of capital, and operating costs, recovery and economic return, new technologies rendering existing technologies obsolete, the need to obtain additional financing to develop technologies or property acquired and uncertainty as to the availability and terms of future financing; the possibility of delay in development programs or in product development projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

CORPORATE DEVELOPMENT AND OUTLOOK

World Mahjong Limited (the "Company") was incorporated in the Province of British Columbia on May 11, 1981. The Company's principal business activity is the development of mahjong tournaments throughout the Asia Pacific region. The Company's registered office is located at 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6. The Company is listed on the Canadian Securities Exchange ("CSE").

Amalgamation Agreement

On June 10, 2015, the Company entered into an Amalgamation Agreement (the "Agreement") with World Mahjong Limited ("WML"), incorporated on March 23, 2005 under the laws of the British Virgin Islands.

Pursuant to the Agreement, the following principle steps were completed on November 13, 2015:

- WML amalgamated with Silverdale Ventures (BVI) Limited, a wholly-owned subsidiary of the Company, to create an operating subsidiary.
- The Company issued an aggregate of 68,024,999 common shares of the Company to the former shareholders of WML.

Concurrent to the amalgamation, WML raised \$1,795,355 (US\$1,437,500) by issuing 27,724,999 common shares.

Upon the Agreement becoming effective on November 13, 2015, the Company became a reporting issuer in the jurisdictions of British Columbia and Ontario, with its shares listed on the Canadian Securities Exchange ("CSE").

As a result of the Agreement, the former shareholders of WML acquired control of the Company. The amalgamation has been accounted for as a reverse acquisition that was not a business combination.

Corporate History

The Company is a tournament-based and online Mahjong game developer. Under development since 2007, the Company hosts tournaments at physical venues, in addition to its online and television focus. Most importantly, the Company has the exclusive right to use "World Series of Mahjong" trademark and owns its own proprietary "rule-set". Trademark applications for the "World Series of Mahjong" logo were submitted in late 2014 and early 2015 to the firm's attorney for the countries and regions of Australia, Canada, Hong Kong, Macau, the Philippines, China, Japan, Singapore, Malaysia, Taiwan and the United States. This protected brand and system means that the Company can offer Mahjong operators, sponsors, and players a distinctive and collaborative environment to play Mahjong – whether it be in-person or online – using the Company's own Mahjong system.

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The Company developed the "World Series of Mahjong" in 2007. The World Series of Mahjong tournament was last held in Macau in 2015 and was (and remains) the largest Mahjong tournament in the world. In addition to carrying the largest prize purse in history, the tournament was widely promoted throughout Asia, North America, Australia and Europe. In 2007 and 2008, the World Series of Mahjong was held at the Wynn Macau. In 2010, the World Series of Mahjong was held at the Venetian Macau Resort, and in 2012 the tournament was scheduled to be held in Sydney, Australia at The Star Casino, but was postponed to 2013, and finally cancelled due to a change in management at The Star. In 2015, the World Series of Mahjong tournament was held again at The Venetian Macau Resort. In addition to the World Series of Mahjong tournament, each year, the Company has operated a series of qualifying events throughout the Asia-Pacific region. Since 2008, such qualifying events have been held in Hong Kong, Australia, Canada, Japan and Taiwan. The Company's primary focus since 2013 has been developing its online platform, including an interactive website and its own online Mahjong game and affiliate partners.

During the year ended December 31, 2016, the Company abandoned its 100% owned subsidiaries Silverdale Ventures (BVI) Limited ("Silverdale") and World's Competition Events Management Ltd. ("WCEM") as it lost its ability to control the subsidiaries. As a result, the Company's 2016 consolidated financial statements only include the accounts of the Company and its wholly-owned subsidiary, Croydon Holdings (BVI) Limited ("Croydon"), a British Virgin Islands company. Croydon was inactive during the years ended December 31, 2016 and 2015.

The abandonment of these subsidiaries by the Company during the year ended December 31, 2016 resulted in a loss on abandonment of assets and liabilities of \$2,017,737 summarized as follows:

Assets or Liabilities Abandoned	
	\$
Cash	363,800
Prepaid expenses	9,245
Advances to a related party (Note 7)	275,024
Investment in subsidiaries	541,250
Accounts payable and accrued liabilities	(742,939)
Foreign currency translation reserve	1,571,357
Total	2,017,737

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SELECTED ANNUAL INFORMATION

	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014
Financial results:			
Net loss for the year	(2,419,806)	(5,311,910)	(1,817,829)
Basic and diluted loss per share	(0.03)	(0.16)	(0.62)
Balance Sheet data:			
Cash	1,710	541,210	-
Total assets	14,399	830,076	232,480
Current liabilities	305,451	272,679	9,786,009
Shareholders' equity (deficiency)	(291,052)	557,397	(9,553,529)
Cash Flows data:			
Increase (decrease) in cash for the year	(539,500)	541,210	-

FINANCIAL POSITION

As December 31, 2016, the Company had current assets of \$14,399 and current liabilities of \$305,451. At December 31, 2016, the Company had a working capital deficiency of \$291,052 compared to a working capital of \$282,373 at December 31, 2015.

The Company had cash of \$1,710 at December 31, 2016 compared to \$541,210 at December 31, 2015. During the year ended December 31, 2016, the Company had cash outflows from operations of \$175,700 compared to \$2,062,456 in 2015. During the year, the Company abandoned its investments in Silverdale and WCEM resulting in a significantly lower activity in 2016.

Cash provided by financing activities during the year ended December 31, 2016 was \$Nil compared to \$2,614,153 for year ended December 31, 2015 for shares that were issued in November and December 2015.

RESULTS OF OPERATIONS

Year Ended December 31, 2016

The Company reported a net loss of \$2,419,806 (\$0.03 per share) for the year ended December 31, 2016 compared to a net loss of \$5,311,910 (\$0.62 per share) for the year ended December 31, 2015.

Included in the current period's results is management and consulting fees of \$67,000 paid/accrued to Mr. William D. Thomas, the former Chief Financial Officer of the Company.

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Consulting fees decreased by \$89,063 from \$330,730 in 2015 to \$241,667 in 2016 mainly due to the abandonment of the investments in Silverdale and WCEM as discussed above. The Company's operating activities during the year ended December 31, 2016 have been limited to care and maintenance as a result of the significant resource constraint.

In 2015, the Company incurred \$1,182,964 in listing fees related to the Company's Amalgamation Agreement and the listing on the CSE as well as stock-based compensation of \$1,494,765 related to stock options granted to certain employees, directors and consultants of the Company.

During the year ended December 31, 2016, the Company abandoned the assets and liabilities of Silverdale and WCEM resulting in a loss of \$1,476,487.

Quarter Ended December 31, 2016

The Company reported a net loss of \$21,468 (\$0.00 per share) for the three months ended December 31, 2016 compared to a net loss of \$4,646,234 (\$0.00 per share) for the three months ended December 31, 2015.

Included in the current period's results is management and consulting fees of \$16,000 paid/accrued to Mr. William D. Thomas, the former Chief Financial Officer of the Company.

The activity during the fourth quarter has been extremely limited due to the shortage of cash.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes quarterly results for the past eight quarters:

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	\$	\$	\$	\$
Total Revenue	-	-	-	-
Cost of Revenue	-	-	-	-
Expenses	259,014	24,860	72,036	42,754
Net loss	(262,419)	(24,860)	(72,036)	(2,060,491)
Loss per Share	(0.00)	(0.00)	(0.00)	(0.03)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Total Revenue	350,253	-	-	-
Cost of Revenue	890,986	-	-	-
Expenses	4,001,600	222,808	315,668	231,451
Net Loss	(4,542,333)	(222,808)	(315,318)	(231,451)
Loss per Share	(0.13)	(0.01)	(0.01)	(0.01)

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The Company signed the Amalgamation Agreement in June 2015 and as a result experienced an increase in operating activities since Q2 2015.

In December 2015, the Company held its World Series of Mahjong tournament at The Venetian Macau Resort and reported a total revenue of \$350,253 and cost of revenue of \$890,986.

In December 2015, the Company granted 4,500,000 stock options to various consultants, directors and officers of the Company which have an exercise price of \$0.45 and expire on December 7, 2018. The grant-date fair value of these options, using Black-Scholes Option Pricing Model, was \$1,494,765 resulting in a significant increase in operating expenses for Q4 2015.

However, the Company abandoned its investments in Silverdale and WCEM during the year ended December 31, 2016. This resulted in a significantly lower activity throughout 2016. The Company recorded a loss on abandonment of subsidiaries during the first quarter ended March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Private placement

On November 13, 2015, the Company issued 27,724,999 common shares for total proceeds of \$1,795,355.

On December 7, 2015, the Company issued 2,019,500 common shares for total proceeds of \$908,775. The Company paid \$89,977 in finders' fees and issued 199,950 finders' warrants exercisable at \$0.45 on or before December 7, 2017.

Proceeds from the private placements were partially used to host the 2015 World Series of Mahjong tournament in Macau.

The Company has been successful in meeting its operating requirements through the completion of equity financings. The Company may be impacted by potential downward trends in market conditions.

Trends that affect the market generally, and the perception of the Company within the marketplace, can affect the Company's ability to access capital in both a positive and negative way. Trends in this general market are defined by fluctuations in the global economy. Trends in the perception of the Company will be affected by the Company's performance in creating shareholder value and in demonstrating the ability to manage the Company's affairs and achieve mandated objectives.

As of December 31, 2016, the Company has no long-term debt.

OFF BALANCE SHEET ARRANGEMENT

As of December 31, 2016, the Company had no off-balance sheet arrangements.

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PROPOSED TRANSACTIONS

The Company has no proposed transactions.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company has had transactions with individuals and companies considered related parties. Related party transactions involve normal commercial compensation for services rendered by senior management, officers, directors or insiders of the Company and by companies with which they are associated as owners, contractors or employees.

The Company paid/accrued \$67,000 of management fees to Mr. William D. Thomas, the former CFO of the Company. As at December 31, 2016, \$17,050 is due to Mr. Thomas.

OUTSTANDING SHARE DATE

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Shares issued and outstanding

As at December 31, 2016 and May 1, 2017, a total of 82,195,775 common shares were issued and outstanding.

On May 11, 2015, 488,000 common shares were returned to the company for no consideration.

On May 11, 2015, the Company issued 13,400,000 common shares to settle convertible loans and interest payable to related party.

On May 11, 2015, the Company issued 3,754,272 common shares to settle outstanding professional and consulting fees.

On November 13, 2015, the Company issued 27,724,999 common shares for total proceeds of \$1,795,355.

On December 7, 2015, the Company issued 2,019,500 common shares for total proceeds of \$908,775. The Company paid \$89,977 in finders' fees and issued 199,950 finders' warrants exercisable at \$0.45 on or before December 7, 2017.

Stock options

On December 7, 2015, the Company granted 4,500,000 stock options to consultants, directors and officers of the Company which have an exercise price of \$0.45 and expire December 7, 2018. These stock options vested 100% on the grant date.

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Warrants

On December 7, 2015, the Company issued 199,950 finders' warrants in connection with a private placement. Each warrant is exercisable at \$0.45 on or before December 7, 2017.

CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies used by the Company are disclosed in Note 3 to the consolidated financial statements for the year ended December 31, 2016. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion helps to assess the critical accounting policies and practices of the Company and the likelihood of materially different results being reported.

FINANCIAL INSTRUMENTS

Designation and Fair Value

The Company classified its cash as financial assets held-for-trading. Amounts receivable are classified as loans and receivables. Accounts payable are classified as other liabilities. At December 31, 2016, there were no significant differences between the carrying amounts of the financial instruments reported on the balance sheet and their estimated fair values.

RISKS AND UNCERTAINTIES

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the Company heavily relies on the Company officers.

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

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Negative Operating Cash Flows

As the Company is at the early start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including its trademarks, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

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Regulatory Risks

The Company is subject to a number of technological challenges and requirements, and can be subject to the regulations and standards imposed by applicable regulatory agencies. There can be no assurance that the Company will be able to comply with all regulations concerning its businesses.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements for the year ended December 31, 2016 (together the "Annual Filings").

Officers and Directors

Mark Lotz, Chief Executive Officer and Chief Financial Officer
James Mehren, President and Director
John W. Hardyment, Director
William Thomas, Director
Andrew C. Bennett, Director
Myrick Hatch, Director

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