SKYCHAIN TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Skychain Technologies Inc.

Opinion

We have audited the consolidated financial statements of Skychain Technologies Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Paul Joseph Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
November 4, 2022

SKYCHAIN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS A MARCH 31, 2022 AND 2021

		2022		2021
ASSETS				
Current				
Cash	$	3,161,765	$	2,926
Receivables (Note 5)		309,931		58,234
Prepaid expenses (Note 6)		91,633		51,375
Total current assets		3,563,329		112,535
Reclamation deposits (Note 7)		15,000		15,000
Deposits for equipment purchases (Note 6)		666,632		236,100
Hydro infrastructure deposit (Note 6)		-		220,125
Property and equipment (Note 11)		2,998,266		890,112
Right-of-use assets (Note 9, 12)		17,290		44,574
Total assets	$	7,260,517	$	1,518,446
LIABILITIES AND EQUITY (DEFICIENCY)				
Current				
Accounts payable and accrued liabilities (Note 13, 16)	$	5,395,079	$	1,274,383
Loans from related parties (Note 15, 18)		-		461,724
Advances from related parties (Note 18)		128,328		156,477
Advance from Miningsky Container Ltd. (Note 8)		73,010		-
Customer deposits (Note 13)		-		291,930
Short-term loan (Note 14)		-		132,811
Subscription repayable (Note 17)		-		286,729
Lease liabilities (Note 12)		17,401		48,790
Government loan (Note 16)		36,002		-
Unearned revenue		-		6,288
Convertible loan (Note 15)		1,099,516		-
Total current liabilities		6,749,336		2,659,132
Government loan (Note 16)		-		31,306
Total liabilities		6,749,336		2,690,438
Equity (deficiency)				
Share capital (Note 17)		14,937,802		8,559,515
Equity component of convertible loan (Note 15)		998,700		-
Reserves (Note 17)		1,300,057		356,764
Accumulated other comprehensive income		(1,116)		1,296
Deficit		(16,724,262)		(10,089,567)
Total equity (deficiency)		511,181		(1,171,992)
Total liabilities and equity (deficiency)	$	7,260,517	$	1,518,446

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
CONTINGENCIES (Note 23)
EVENTS SUBSEQUENT TO THE REPORTING PERIOD (Note 25)
Approved on Behalf of the Board of Directors on November 4, 2022:

/s/ William Ying	/s/ Richard Du
Director	Director

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

SKYCHAIN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

		2022		2021
REVENUE				
Hosting services	$	-	$	2,529,131
Sales of goods		-		36,000
		-		2,565,131
COSTS OF OPERATIONS				
Costs of goods sold		-		(48,792)
Amortization of property and equipment (Note 11)		-		(154,572)
Hosting operation costs		-		(2,719,654)
		-		(357,887)
EXPENSES				
Accounting and audit		269,510		133,420
Accretion and interest on loans and lease liabilities (Notes 9, 12 and 15)		220,156		54,129
Amortization of property and equipment (Note 11)		7,929		5,953
Bad or doubtful debt (Note 19)		213,259		-
Business development		118,194		95,703
Depreciation of right-of-use assets (Note 12)		228,799		143,786
Consulting and management fees (Note 18)		334,686		60,673
Legal fees		235,688		30,825
Marketing and corporate communication		322,819		53,415
Office and miscellaneous		315,076		41,634
Filing and listing		114,524		14,553
Salary and benefits (Note 18)		1,539,384		681,687
Transfer agent		6,259		6,791
Travel		68,304		22,796
Shipping, storage and maintenance		28,203		35,026
Option based expense (Note 17)		813,536		-
		(4,836,326)		(1,380,391)
Loss before other items		(4,836,326)		(1,738,278)
OTHER ITEMS:				
Government assistance (Note 16)		163,545		161,743
Gain on sale of assets		69,654		264,385
Gain (loss) on lease settlement (Note 9)		(40,071)		45,734
Gain on debt settlement (Note 17)		39,006		23,687
Impairment of assets (Note 9, 11)		(330,475)		-
Impairment of infrastructure (Note 9)		(1,533,595)		-
Impairment of investment (Note 8)		(159,550)		-
Miscellaneous income (loss)		(6,883)		2,138
Net loss for the year		(6,634,695)		(1,240,591)
Other comprehensive income (loss)				
Foreign currency translation adjustment		(2,412)		(4,560)
Comprehensive loss for the year	$	(6,637,107)	$	(1,245,151)
Loss per share – basic and diluted	$	(0.33)	$	(0.09)
Weighted average number of common shares outstanding		19,957,156		14,090,048

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

SKYCHAIN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share Capital				Reserves				
	Number of shares	Amount	Share subscription received in advance	Share subscription receivable	Equity component of convertible loan	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at March 31, 2020	**11,953,007**	**$ 8,214,788**	**$ 40,800**	**$ (8,000)**	**$ 14,578**	**$ 342,186**	**$ 5,856**	**$ (8,848,976)**	**$ (238,768)**
Share subscription received	-	-	-	8,000	-	-	-	-	8,000
Warrant exercises	1,580,000	94,800	(40,800)	-	-	-	-	-	54,000
Private placement, net of issuance costs	1,250,000	249,927	-	-	-	-	-	-	249,927
Equity component of convertible loan	-	-	-	-	(14,578)	14,578	-	-	-
Net loss	-	-	-	-	-	-	-	(1,240,591)	(1,240,591)
Foreign currency translation adjustment	-	-	-	-	-	-	(4,560)	-	(4,560)
Balance at March 31, 2021	**14,783,007**	**8,559,515**	**-**	**-**	**-**	**356,764**	**1,296**	**(10,089,567)**	**(1,171,992)**
Private placement, net of issuance costs	11,606,860	6,088,675	-	-	-	129,757	-	-	6,218,432
Shares issued for debt settlement	420,734	282,112	-	-	-	-	-	-	282,112
Warrant exercise	25,000	7,500	-	-	-	-	-	-	7,500
Equity component of convertible loan	-	-	-	-	998,700	-	-	-	998,700
Option based compensation	-	-	-	-	-	813,536	-	-	813,536
Net loss	-	-	-	-	-	-	-	(6,634,695)	(6,634,695)
Foreign currency translation adjustment	-	-	-	-	-	-	(2,412)	-	(2,412)
Balance at March 31, 2022	**26,835,601**	**$ 14,937,802**	**$ -**	**$ -**	**$ 998,700**	**$ 1,300,057**	**$ (1,116)**	**$ (16,724,262)**	**$ 511,181**

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

SKYCHAIN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the year	$	(6,634,695)	$	(1,240,591)
Items not involving cash:				
Accretion and interest on loans and lease liabilities		204,592		81,228
Gain on sale of assets		(69,655)		(264,385)
Amortization of property and equipment		7,929		160,525
Depreciation of right-of-use assets		228,799		143,786
Option based compensation		813,536		-
Loss (gain) on lease termination		40,071		(44,829)
Gain on debt settlement		(39,006)		(23,687)
Impairment of equipment		330,475		-
Impairment of infrastructure		1,533,595		-
Impairment of investment		159,550		-
Changes in non-cash working capital items:				
Receivables		(251,697)		88,757
Advance from Miningsky Container Ltd.		73,010		-
Prepaid expenses		(40,258)		(91,059)
Customer deposits		-		(213,045)
Deposit for hydro infrastructure		-		(220,125)
Unearned revenue		(6,288)		(1,670)
Accounts payable and accrued liabilities		3,488,543		346,679
Subscription repayable		(286,729)		286,729
Advances from related parties		(28,149)		122,205
Net cash provided by (used in) operating activities		(476,377)		(869,482)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in Miningsky Container Ltd.		(159,550)		-
Hosting site development		(1,533,595)		-
Deposit for equipment		(6,784)		-
Purchase of property and equipment		(2,353,770)		(73,873)
Disposition of assets		430,446		346,593
Proceeds from sublease		-		15,735
Net cash provided by (used in) investing activities		(3,623,253)		288,455
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuances, net of issuance costs		6,225,932		311,927
Proceeds from convertible loan, net of issuance costs		1,940,000		-
Loan from government		-		40,000
Repayment of short-term loan		(135,226)		-
Lease payments		(306,340)		(203,931)
Loan from (repayment to) related parties		(466,131)		313,300
Net cash provided by financing activities		7,258,235		461,296
Change in cash for the year		3,158,605		(119,731)
Effect of foreign currency translation		234		4,498
Cash, beginning of year	$	2,926	$	118,159
Cash, end of year	**$**	**3,161,765**	**$**	**2,926**
Non-cash transaction in the investing and financing activities				
Debts settled with issuance of shares	$	282,112	$	-
Supplemental disclosures				
Interest paid	$	55,187	$	34,390
Income tax paid	$	-	$	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Skychain Technologies Inc. (‘Skychain” or the “Company”) was incorporated in British Columbia and is a public company with its common shares listed for trading on the TSX Venture Exchange. The Company’s registered office and principal business address is 500 – 1112 West Pender Street, Vancouver, British Columbia.

On September 18, 2018, the Company completed the acquisition of MiningSky Technology Ltd. (“MiningSky”) and changed its business from the junior mining exploration industry to a Tier 2 Technology issuer. MiningSky was incorporated under the Business Corporations Act (British Columbia) on November 10, 2017. On March 7, 2018 MiningSky incorporated a wholly-owned subsidiary MiningSky USA, Inc. (“MiningSky USA”) in Washington, United States. On March 27, 2020 and December 9, 2021, Skychain incorporated its wholly-owned subsidiaries MiningSky Technologies (Manitoba) Inc. and 10117749 Manitoba Ltd. (“101 MB”) respectively in the province of Manitoba (“MiningSky Manitoba”). MiningSky, MiningSky Manitoba and 101 MB are involved in the business of providing cryptominers with all-in-one solution with warehouse space, low-cost electricity, and maintenance and hosting services.

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

During the year ended March 31, 2022, the Company incurred a net loss of $6,634,695 and as at March 31, 2022, the Company had a working capital deficiency of $3,186,007 and an accumulated deficit of $16,724,262, which has been funded primarily by the issuance of equity and convertible loans. Management has estimated that the Company will require additional financing in order to meet its obligations and commitments for the next fiscal year. 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. The Company must secure sufficient external funding to meet its obligations and commitments as they come due to pay ongoing general and administrative costs. This external funding may be achieved in a number of ways, including, but not limited to, the issuance of new debt or equity instruments. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or other initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new external funding, the Company may be unable to continue as a going concern.

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. The expected impacts on global commerce are far reaching. Material uncertainties could influence management’s going concern assumption. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. The Company continues to closely evaluate the impact of COVID-19 on its operations.

The aforementioned circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

2. BASIS OF PREPARATION

Statement of compliance

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

2. BASIS OF PREPARATION *(continued)*

These consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2022.

Basis of measurement

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

Consolidation

These consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries MiningSky, MiningSky USA, MiningSky Manitoba and 101 MB. All inter-company transactions and balances have been eliminated upon consolidation.

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

Subsidiaries are entities that the Company controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through exerting power over the investee. Power over an investee exists when there are existing rights that give the Company an ability to direct the activities that significantly affect the investee's returns. All significant intercompany transactions and balances have been eliminated on consolidation. Non-controlling interests in the net assets are identified separately from equity of the owners of the Company. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest's share of changes in equity or deficiency since the date of acquisition.

Functional and presentation currency

The Company's consolidated financial statements are presented in Canadian dollars. The functional currency of the Company, MiningSky, MiningSky Manitoba, and 101MB is the Canadian dollar. The functional currency of MiningSky USA is the United States dollar.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates, assumptions and judgements 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 estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is as follows:

Significant accounting estimates

a) Convertible loan

Convertible loans are separated into their liability and equity components on the consolidated statements of financial position. The determination of the fair value of the liability component is based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

b) Warranty costs

The accounting for warranties requires management to make assumptions and apply judgments when estimating product failure rates and expected costs.

c) Share-based payment transactions

Management uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

d) Lease

The critical assumptions and estimates used in determining the present value of future lease payments requires management to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Significant accounting judgments

a) Convertible loan

In accordance with the substance of the contractual arrangement, convertible loans are compound financial instruments that are accounted for separately into their financial liability and equity instrument components. The identification of convertible loan components is based on interpretations of the substance of the underlying contractual arrangement and therefore requires management's judgment. The separation of the components affects the initial recognition of the convertible loans at issuance and the subsequent recognition of interest on the liability component.

b) Contingencies

The evaluation of the outcome of contingencies, which can involve significant uncertainty relating to the occurrence or nonoccurrence of one or more future events; in identifying contingencies and estimating their potential financial effect, management gives consideration to all information available prior to completion of the consolidated financial statements.

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

c) Control

The determination as to whether or not control is evident and the requirement for consolidation of an investment is met is based on the Company's degree of ownership, board representation, and other factors.

d) Going concern

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

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

e) 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 considers 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 is clearly dominant the Company also considers secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

f) Lease

Management exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leasehold improvements, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if management is reasonably certain to exercise that option. Changes in the economic environment may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statement of financial position.

g) 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.

h) 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.

Management's judgment is also required in assessing whether property and equipment are considered to be in the location and condition necessary for such to be capable of operating in the manner intended by management.

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

i) Extinguishment of financial liability

Management's judgment is required in assessing whether an extinguishment of an existing financial liability involving a creditor that is also a direct or indirect shareholder of the Company, is one in which the creditor is also acting in its capacity as such.

j) Impairment assessment of trade receivables and net investment in sublease

The Company measures loss allowances for trade receivables and net investment in sublease at an amount equal to lifetime expected credit losses ("ECLs"). When estimating ECL the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

Foreign currency transactions and translation

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the consolidated statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of loss and comprehensive loss.

Financial statements of the United States subsidiary prepared under its functional currency are translated into Canadian dollars for consolidation purposes. Amounts are translated using the current rates of exchange for assets and liabilities and using the average rates of exchange for the period for revenues and expenses. Gains and losses resulting from translation adjustments are recorded as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity (deficiency), described as foreign currency translation adjustment. In the event of a reduction of the Company's net investment in its foreign operations, the portion of accumulated other comprehensive income (loss) related to the reduction is realized and recognized in the consolidated statements of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Company applies IFRS 15, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when a client obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a client and excludes amounts collected on behalf of third parties.

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

(i) Hosting service revenue

The Company provides cryptominers an all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services. Hosting fees are recognized as the hosting services are provided to customers on a monthly basis. One-time setup fees are recognized as the setup services are provided. Monthly access and maintenance revenue is recognized over the term of the related agreement on a straight-line basis. Deferred revenues represent amounts invoiced in excess of revenues recognized. For contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis. If the transaction price contains discounts or the Company expects to provide a future price concession, these elements are considered when determining the transaction price prior to allocation.

(ii) Sale of goods

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

Warranty costs

Warranty costs that are not otherwise covered by suppliers are accrued upon the recognition of the related revenue, based on the Company's best estimate, with reference to past experience. As of March 31, 2022 warranty liability of $Nil (2021 - $6,288) was accrued.

Property and equipment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment *(continued)*

Subsequent costs

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

Major maintenance and repair

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

Gains and losses

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

Amortization

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

Parts and tools	36 months
Office furniture and equipment	36 months
Vehicles	36 months
Containers	24 months
Transformers	24 months
Leasehold improvements	Lesser of lease term or useful life

Impairment of non-financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

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

Government assistance

In accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, the Company recognizes government grants only when there is reasonable assurance that the entity will comply with all conditions attached to the grant and the grant will be received. Grants receivable as compensation for costs already incurred or for immediate financial support, with no future related costs are recognized as income in the period in which it is receivable. The Company reports grants as other income on the consolidated statements of loss and comprehensive loss.

Convertible loans

Convertible loans are separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion, maturity or a normal course issuer bid. The fair value of the equity component of the convertible loan is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

Income taxes

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

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

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

Share capital

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

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

Loss per share

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

Share-based payments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share issuance costs

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

Provisions

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

Financial instruments

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

Financial assets

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

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

The Company's receivables and net investment in sublease are measured at amortized cost.

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

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

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

Financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities (continued)

a) FVTPL – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss. The Company does not have any financial liabilities classified as FVTPL.

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

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

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and net investment in sublease, the Company applies the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition.

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. In accordance with IFRS 9, *Leases*, 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 derecognizes 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, recognizes 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.

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Lease liabilities *(continued)*

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of loss 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 12 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**.**

Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2022, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. RECEIVABLES

Receivables are comprised of the following:

	March 31, 2022	March 31, 2021
	$	$
Government assistance receivable	-	6,974
Deposit refund receivable	103,030	-
Goods and sales tax receivable	206,901	51,260
	309,931	**58,234**

6. PREPAID EXPENDITURES

Prepaid expenditures are comprised of the following:

	March 31, 2022	March 31, 2021
	$	$
Current:		
Prepaid expenses	91,633	51,375
	91,633	51,375
Long-term:		
Hosting equipment deposit	666,632	236,100
Hydro infrastructure deposit	-	220,125
	758,265	**507,600**

7. RECLAMATION DEPOSITS

As at March 31, 2022, the Company had $15,000 (2021 - $15,000) in term deposits, recorded at cost, which are 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.

8. INVESTMENT IN MININGSKY CONTAINER LTD.

Pursuant to the Joint Investment Agreement between the Company and Marvelous Peach Capital Limited and Houston BC Mining Power Corp. dated July 5, 2021, MiningSky Container Ltd. ("MiningSky Container") was incorporated under the laws of the province of British Columbia to be engaged in the business of manufacturing and marketing containers for use in cryptocurrency mining. In accordance with MiningSky Container's Shareholder Investment Agreement executed on August 6, 2021, the Company originally was to make a total capital investment of US$250,000 in exchange for 25% of the total common shares issued and outstanding. On August 23, 2021, the Company made a capital investment of $159,550 (US$125,000), ultimately representing 25% of the total share capital of Miningsky Container.

The Company provided technical knowledge towards the manufacture of containers for Miningsky Container. As at March 31, 2022, the Company had a balance of $73,010 advanced to it by Miningsky Container for services.

On March 31, 2022, the Company recorded an impairment loss of the entire investment of $159,550 as management determined the investment was no longer recoverable due to uncertainty as to the feasibility of Miningsky Container's business plan.

Subsequent to March 31, 2022, the Company disposed of its 25% equity interest in Miningsky Container. (Note 25).

9. BIRTLE HOSTING SITE

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

On March 14, 2022, the Company terminated the lease agreement. As part of the termination, the additional $50,000 paid to the Lessor was applied towards the final two months' rent. As a result of the termination, the Company recognized a loss on lease settlement of $40,071.

As at March 14, 2022, a total of $1,093,780 has been paid or payable to the hydro authority for design and construction of the power connection (2021 – deposit of $220,125), and $439,815 on development of the Birtle Site (2021 - $nil). As a result of the termination of the lease, the Company wrote-off $1,533,595 comprised of $1,093,780 of costs relating to power connection and infrastructure and $439,815 of site work that was unable to be removed from the facility.

(Expressed in Canadian dollars)

10. MELITA HOSTING SITE

On December 15, 2021, the Company acquired a four-acre property with a manufacturing structure in the town of Melita, Manitoba for a total cost of $210,730 (Note 11) with the intention of building a cryptocurrency mining hosting facility on the property (the “Melita Site”). As at March 31, 2022, no site work has been commenced at the Melita Site.

11. PROPERTY AND EQUIPMENT

	Vehicles	Office furniture and equipment	Transformers	Containers	Forklift	Parts and tools	Manitoba Hosting Equipment	Land	Total
	$	$	$	$	$	$	$	$	$
Cost									
Balance, March 31, 2020	15,354	-	154,389	576,864	21,889	889,193	-	-	2,126,061
Additions	-	-	-	-	-	100,390	-	-	100,390
Dispositions	-	-	-	(452,151)	-	(82,207)	-	-	(534,358)
Foreign currency translation	-	-	-	-	-	(9,058)	-	-	(9,058)
Balance, March 31, 2021	15,354	-	154,389	124,713	21,889	898,318	-	-	1,683,035
Additions	53,200	3,777	-	-	-	191,410	2,114,778	210,730	2,573,895
Dispositions	-	-	-	-	-	(124,691)	-	-	(124,691)
Impairment	-	-	-	-	-	(298,771)	(31,704)	-	(330,475)
Foreign currency translation	-	-	-	-	-	(2,646)	-	-	(2,646)
Balance, March 31, 2022	**68,554**	**3,777**	**154,389**	**124,713**	**21,889**	**663,620**	**2,083,074**	**210,730**	**3,799,118**
Accumulated amortization									
Balance, March 31, 2020	9,127	-	112,881	482,765	11,407	-	-	-	1,084,552
Additions	5,953	-	41,508	94,099	7,399	11,563	-	-	160,522
Dispositions	-	-	-	(452,151)	-	-	-	-	(452,151)
Balance, March 31, 2021	15,080	-	154,389	124,713	18,806	11,563	-	-	792,923
Additions	3,821	1,025	-	-	3,083	-	-	-	7,929
Balance, March 31, 2022	**18,901**	**1,025**	**154,389**	**124,713**	**21,889**	**11,563**	**-**	**-**	**800,852**
Net book value									
Balance, March 31, 2021	274	-	-	-	3,083	886,755	-	-	890,112
Balance, March 31, 2022	**49,653**	**2,752**	**-**	**-**	**-**	**652,057**	**2,083,074**	**210,730**	**2,998,266**

During the year ended March 31, 2022, amortization of $Nil (2021 - $154,572) was recorded as costs associated with hosting services and $7,929 (2021 - $5,953) was recorded as operating expenses.

(Expressed in Canadian dollars)

12. LEASE

a) *Right-of-use assets*

A reconciliation of the Company's right-of-use assets for the year ended March 31, 2022 is as follows:

	Office	Vehicle	Manitoba Hosting Site	Total
Balance, March 31, 2021	$ 44,574	$ -	$ -	$ 44,574
Addition	-	23,054	586,372	609,426
Depreciation of ROU	(44,574)	(5,764)	(178,461)	(228,799)
Lease termination	-	-	(407,911)	(407,911)
Balance, March 31, 2022	$ -	$ 17,290	$ -	$ 17,290

b) *Lease liabilities*

A reconciliation of the Company's lease liabilities for the year ended March 31, 2022 is as follows:

	Office	Vehicle	Manitoba Hosting Site	Total
Balance, March 31, 2021	$ (48,790)	$ -	$ -	$ (48,790)
Addition	-	(23,054)	(586,372)	(609,426)
Accretion of interest	(1,569)	(328)	(31,468)	(33,365)
Lease payments	50,359	5,981	250,000	306,340
Lease termination	-	-	367,840	367,840
Balance, March 31, 2022	$ -	$ (17,401)	$ -	$ (17,401)

On March 14, 2022, the Company terminated the Manitoba Site lease agreement and recorded a loss of $40,071 in relation to the termination (Note 9).

As at March 31, 2022, the Company measured the present value of its vehicle lease liabilities using the actual lease rate of 3.9% for the vehicle.

Short-term leases are not included in the calculation of lease liabilities and are recognized as cost of operations.

13. CUSTOMER DEPOSITS

The Company usually requests a deposit upon entering the hosting service agreements with customers, which apply to the first months and last months of the service agreements. As at March 31, 2022 the Company received customer deposits of $3,000,036 for services to be provided at Manitoba Site, of which $37,289 was refunded to a customer after March 31, 2022, and for the remaining $2,962,747 the customer requested immediate refund after March 31, 2022 (Note 25).

Upon termination of the lease agreement related to the Birtle Site (Note 9) a total of $3,000,036 in customer deposits have been reclassified to accounts payable as at March 31, 2022.

14. LOAN FROM HOUSTON BC MINING POWER CORP.

On June 18, 2019, MiningSky received a loan facility of up to $150,000 from Houston BC Mining Power Corp. (the "Lender").

The proceeds were to be used to build a higher-voltage power substation. The loan was due and repayable (the "Maturity") commencing on the date that is the earlier of i) August 15, 2020, and ii) when the substation becomes fully permitted for operation. The loan bears interest at a rate of 12% 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 6th month following the Maturity;
ii) 25% of the loan principal plus any accrued interest on the last day of the 12th month, 18th month, and 24th month following the Maturity.

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

During the year ended March 31, 2021, the Company received loan proceeds of $Nil, accrued interest expense of $13,563 and recognized the total balance of $132,811 as a short-term loan.

During the year ended March 31, 2022, the Company accrued interest expense of $2,415 on the loan, and the total loan proceeds and accrued interest balance of $135,226 were repaid to the Lender with the issuance of the Company's common shares (Note 17).

15. CONVERTIBLE LOANS

<u>2019 Convertible Loan from Related Party</u>

In December 2019, the Company issued a convertible promissory note of $141,000 to a relative of a director of the Company. The convertible promissory note was unsecured, had a maturity date of December 31, 2020, bore a simple interest rate of 3.5% per annum, convertible into common shares in the capital of the Company at a price of $0.10 per share.

For accounting purposes, the convertible promissory note is separated into its liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows of the loan assuming a 15% discount rate, which was the estimated rate for a similar loan without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the loan and the fair value of the liability component.

(Expressed in Canadian dollars)

15. CONVERTIBLE LOANS *(continued)*

The following table summarizes accounting for the convertible promissory note during the years ended March 31, 2022 and 2021.

	Short-term Loan	Liability Component	Equity Component
Convertible debenture – March 31, 2020 balance	$ -	$ 131,508	$ 14,578
Interest accretion	-	14,602	-
Convertible debenture – balance upon maturity	-	146,110	14,578
Reclassified to contributed surplus	-	-	(14,578)
Reclassified to short-term loan from related party	146,110	(146,110)	-
Accrued interest	1,230	-	-
Loan from related party – March 31, 2021 balance	147,340	-	-
Accrued interest	1,148	-	-
Repayment	(148,488)	-	-
Loan from related party – March 31, 2022 balance	$ -	$ -	$ -

The convertible promissory note matured on December 31, 2020, upon which the equity component of $14,578 was reclassified to contributed surplus. The loan principal and accrued interest was repaid during the year ended March 31, 2022.

2021 Convertible Loan

On June 3, 2021, the Company issued a convertible debenture of $2,000,000 to The9 Limited ("The9") (the "Debentures"), which bears simple annual interest at a rate of 1% and payable every six months after the issuance date, matures four years from the issuance date subject to an option on the part of the holder to extend the maturity for an additional 12 months, is convertible into the Company's common shares at $0.85 per share, and is secured against the equipment on the Company's Birtle Site. A finder's fee of $60,000 was paid in relation to the convertible debenture.

For accounting purposes, the convertible promissory note is separated into its liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows of the loan assuming a 20% discount rate, which was the estimated rate for a similar loan without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the loan and the fair value of the liability component.

(Expressed in Canadian dollars)

15. CONVERTIBLE LOANS *(continued)*

The following table summarizes accounting for the net proceeds of $1,940,000 from the issuance of the convertible promissory note during the year ended March 31, 2022.

	Accrued Interest	Liability Component	Equity Component
Convertible debenture at issuance	$ -	$ 941,300	$ 998,700
Interest accretion	-	158,216	-
Accrued interest	16,493	-	-
Interest repayment	(15,000)	-	-
Balance – March 31, 2022	$ 1,493	$ 1,099,516	$ 998,700

Subsequent to March 31, 2022, The9 launched court actions demanding the immediate repayment of the entire loan of $2,000,000 plus outstanding interest of $10,964. As a result of the court actions the convertible debenture is reclassified from long-term debt to current liabilities (Note 25).

16. GOVERNMENT LOAN PAYABLE AND GRANT

Canada Emergency Rent Subsidy ("CERS")

Due to the outbreak of the COVID-19 pandemic, the federal government of Canada introduced the Canada Emergency Rent Subsidy ("CERS") which provides eligible businesses the ability to claim a subsidy on eligible expenses including rent.

The amount of subsidy received is based on an entity's decrease in revenue and can be a maximum of 65% of the eligible expense. During the year ended March 31, 2022, the amount received by the Company from the CERS totaled $45,652 (2021 - $36,610), and is included as part of other income in the consolidated statement of loss and comprehensive loss.

Canada Emergency Business Account ("CEBA")

Due to the outbreak of the COVID-19 pandemic, the federal government of Canada introduced the Canada Emergency Business Account ("CEBA") which provides an interest-free loan ("CEBA loan") of $40,000 to eligible businesses. Repayment of $30,000 of the $40,000 loan balance on or before December 31, 2023 will result in a loan forgiveness of the remaining $10,000.

In April 2020, the Company received $40,000 in accordance with the CEBA loan. In December 2020, the federal government of Canada introduced an expansion to the CEBA in the amount of $20,000 ("CEBA expansion") whereby eligible businesses can receive this amount in addition to the original $40,000. The Company received the $20,000 expansion to the CEBA loan in error as it is not considered a CCPC (Canadian Controlled Private Corporation). The $20,000 CEBA expansion is recorded in accounts payable.

As at March 31, 2022, the Company had not made any repayments of the CEBA loan. Any loan balance remaining after December 31, 2023 will be converted to a term loan with an interest rate of 5% per annum paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2025.

16. GOVERNMENT LOAN PAYABLE AND GRANT *(Continued)*

Canada Emergency Business Account ("CEBA") *(Continued)*

This liability is recognized in accordance with IFRS 9, *Financial Instruments*, as a financial liability at amortized cost. The benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received.

The Company has estimated the initial carrying value of the first CEBA loan at $27,506, using a discount rate of 15%, which was the estimated rate for a similar loan without the interest-free component. The total difference of $12,494 is accreted to each CEBA loan liability over the term of the CEBA loan and offset to other income on the consolidated statement of loss and comprehensive loss.

During the year ended March 31, 2022, total accretion expense recognized for the CEBA loans amounted to $4,696 (2021 - $3,800).

Canada Emergency Wage Subsidy ("CEWS")

On April 11, 2020, the Federal Government of Canada passed legislation enacting the Canada Emergency Wage Subsidy ("CEWS"). The CEWS is a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. The CEWS helps businesses keep employees on the payroll and encourages employers to rehire workers previously laid off, and better positions businesses to bounce back following crises. The CEWS is originally for up to 24 weeks, retroactive from March 15, 2020 to June 6, 2020.

During the year ended March 31, 2022, an amount of $117,893 in CEWS (2021 - $112,639) was recorded as other income in the consolidated statement of loss and comprehensive loss, respectively. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

17. SHARE CAPITAL

Authorized

Unlimited common shares without par value

As at March 31, 2022, 26,835,601 (2021 – 14,783,007) common shares were issued and outstanding.

Share subscription repayable

During the year ended March 31, 2021, the Company received $286,729 as subscription for 301,820 private placement units at $0.95 per unit. This private placement was cancelled. The amount was included in accounts payable and accrued liabilities on March 31, 2021 and returned to the subscribers during the year ended March 31, 2022.

Share issuance

During the year ended March 31, 2022, the Company carried out the following common share transactions.

a) On June 3, 2021, the Company closed a non-brokered private placement by issuing 2,631,579 Units at $0.76 per Unit for gross proceeds of $2,000,000. Each Unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $1.22 per share for three years from the closing date. The proceeds of $2,000,000 were allocated entirely to share capital using the residual value method. The Company paid finders' fee of $60,000 related to the private placement, which was recorded as share issuance costs.

b) On June 10, 2021, the Company issued 25,000 common shares for warrants exercised at $0.30 per share for gross proceeds of $7,500.

c) On July 16 and August 3, 2021, the Company closed a private placement by issuing a total of 516,395 Units at $0.78 per Unit for gross proceeds of $402,788. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common shares of the Company at an exercise price of $1.50 per share for six months from the closing date. The proceeds of $402,788 were allocated to share capital of $316,602 and to share purchase warrants of $86,186 using the residual value method.

d) On July 28, 2021, the Company issued 243,590 common shares with a fair value of $170,513 to settle debt of $190,000 comprised of $135,226 loan amount and $54,744 in payables with arm's length creditors of the Company (Note 14) and recognized a gain on debt settlement of $19,487.

e) On August 20, 2021, the Company closed a private placement by issuing 619,500 Units at $0.80 per Unit for gross proceeds of $495,600. Each Unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common shares of the Company at an exercise price of $1.20 per share for two years from the closing date. The proceeds of $495,600 were allocated to share capital of $458,430 and to share purchase warrants of $37,170 using the residual value method.

f) On September 22, 2021, the Company closed a private placement by issuing 320,006 Units at $0.70 per Unit for gross proceeds of $224,004. Each Unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common shares of the Company at an exercise price of $1.20 per share for one year from the closing date. The proceeds of $224,004 were allocated to share capital of $217,604 and to share purchase warrants of $6,400 using the residual value method.

17. SHARE CAPITAL *(continued)*

***Share issuance** (continued)*

g) On November 17, 2021, the Company issued 177,144 common shares with a fair value of $111,600 to settle debt of $124,000 with arm's length creditors of the Company and Skyrendering and recognized a gain on debt settlement of $12,400 (Note 19).

h) On December 23, 2021, the Company closed a private placement by issuing 4,761,905 common shares of the company at $0.42 per share for gross proceeds of $2,000,000.

i) On January 13, 2022, the Company closed a private placement by issuing 2,757,475 common shares of the company at $0.42 per share for gross proceeds of $1,158,140.

During the year ended March 31, 2021, the Company carried out the following common share transactions.

j) On July 20, 2020, the Company closed a non-brokered private placement by issuing 1,250,000 Units of the Company at $0.20 per Unit. Each Unit consists of one common share and half a common share purchase warrant. Each whole warrant entitles the holder to acquire one common shares of the Company at an exercise price of $0.30 per share for one year from the closing date. The proceeds of $250,000 were allocated entirely to share capital using the residual value method.

Escrow shares

In connection with the acquisition of MiningSky completed during the year ended March 31, 2019, the Company entered into an Escrow Agreement dated September 18, 2018, whereby 2,086,658 post-consolidation common shares were held in escrow and are scheduled for release in accordance with the terms of the Escrow Agreement. As at March 31, 2022, there were no common shares in escrow.

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 five 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 options outstanding as at March 31, 2021 and no stock option transactions during the year ended March 31, 2021.

On July 8, 2021, the Company granted 950,000 options to directors and officers of the Company. The options are exercisable into the Company's common shares at $0.80 per share for two years. The fair value of $450,913 in respect of this grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 0.47%, expected volatility of 164.47%, an expected option life of 2 years and no expected dividends.

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

(Expressed in Canadian dollars)

17. SHARE CAPITAL *(continued)*

Stock options *(continued)*

A summary of stock options activity is as follows:

	Number of options	**Weighted average exercise price**
	#	**$**
Balance, March 31, 2021	-	-
Granted	2,050,000	0.56
Cancelled	(350,000)	0.80
Balance, March 31, 2022	1,700,000	0.51

As at March 31, 2022 the following options are outstanding:

Number of Options	Exercise Price	Expiry Date
	$	
600,000	0.80	July 8, 2023
1,100,000	0.35	December 29, 2026
1,700,000		

Warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	**Weighted average exercise price**
		$
Balance, March 31, 2020	4,032,000	0.13
Exercised	(1,580,000)	0.06
Expired	(2,452,000)	0.18
Issued	312,500	0.3
Balance, March 31, 2021	312,500	0.3
Exercised	(25,000)	0.3
Expired	(803,895)	1.07
Issued	4,087,480	1.25
Balance, March 31, 2022	3,571,085	1.21

As at March 31, 2022, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
	$	
320,006	1.20	September 22, 2022
619,500	1.20	August 20, 2023
2,631,579	1.22	June 3, 2024
3,571,085		

(Expressed in Canadian dollars)

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management compensation

The Company has identified its directors and certain senior officers of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company, as key management personnel. Key management personnel compensation is comprised of the following for the years ended March 31, 2022 and 2021:

		2022		2021
Management fees, CEO	$	50,000	$	-
Salaries and bonus, CFO		146,900		107,500
Salaries and bonus, former CEO		290,000		294,667
Salaries and consulting fees, a former director		72,000		-
Total	$	558,900	$	402,167

Other transactions

As at March 31, 2022, $16,667 (2021 - $Nil) was owed to the CEO of the Company for management fees, an advance of $31 (2021 - $31) was owed to a director, and advances of $115,379 (2021 - $156,477) were owed to the former CEO and private companies controlled by the former CEO. During April, 2022, $105,466 was garnished from the Company as funds for the repayment of the former CEO's advances (Note 25).

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

Related party loans

During the year ended March 31, 2021, the Company extended a promissory note of $250,000 from the former CEO of the Company, which bears a simple annual interest rate of 6%, is unsecured, and repayable upon demand. During the year ended March 31, 2022, interest expense of $2,712 (2021 - $493) was recorded on the loan, and the total loan principal and accrued interest of $253,205 was repaid with no balance outstanding.

During the year ended March 31, 2021, the Company extended a promissory note of $63,300 from a director of the Company, which bears a simple annual interest rate of 4%, is unsecured, and repayable upon demand. During the year ended March 31, 2022 an interest expense of $548 (2021 - $590) was recorded on the loan, and the total loan principal and accrued interest of $64,438 was repaid with no balance outstanding.

19. SKYRENDERING

On April 26, 2021, the Company and a joint venture partner (the "JV Partner") jointly incorporated Skyrendering Technologies Inc. ("Skyrendering") under the laws of British Columbia to establish a rendering farm and data center. On June 29, 2021, the Company and the JV Partner signed an investment agreement (the "Investment Agreement") whereby the Company and the JV Partner each agreed to make a capital investment of $600,000 and $600,001 respectively in exchange for 600,000 and 600,001 common shares respectively of Skyrendering common shares. At any time after October 26, 2023, the JV Partner has the option to require the Company to repurchase all of the JV Partner's common shares of Skyrendering at $1.00 per share, for which the Company has the option to issue common shares of the Company subject to approval of the TSX Venture Exchange.

From Skyrendering's inception to March 31, 2022, the Company provided various services for and made payments on behalf of Skyrendering. These service contributions and payments were made in furtherance of the Company's commitments under the Investment Agreement towards an entitlement to receive Skyrendering common shares. Although management believes the Company fully satisfied its contribution obligations under the Investment Agreement in this regard, the JV Partner has disputed this. As a result, management considers that the Company does not have the indisputable exposure or rights to variable returns arising from its contributions made in Skyrendering that would be required to demonstrate control or significant influence over Skyrendering.

At present, as a result of the JV Partner's challenge to the Company's rights to the Skyrendering common shares, the Company recorded a total of $188,321 in reimbursable expenditures paid on behalf of Skyrendering as doubtful receivable as at March 31, 2021. The Company is seeking legal advice on recovering the amounts advanced.

20. CAPITAL RISK MANAGEMENT

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

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

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

21. FAIR VALUE OF FINANCIAL INSTRUCMENTS AND RISK MANAGEMENT

Fair Values and Classification of Financial Instruments

As at March 31, 2022, the Company's financial instruments comprised cash, receivables, accounts payable, due to related parties, convertible loan, government 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.

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

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

At March 31, 2022, cash of $3,161,765 (2021 - $2,926) was classified as Level 1. There were no transfers into or out of Level 2 or Level 3 during the year.

Currency risk

A minor portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in these currencies. A change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows. However, as the Company does not maintain significant cash balances in foreign currencies and settles any transactions in foreign currencies quickly, its exposure to currency risk is considered insignificant as at March 31, 2022.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is limited to its cash. The Company limits exposure to credit risk by maintaining its cash with large Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at March 31, 2022, the Company had a cash balance of $3,161,765 to settle current liabilities of $6,749,336. The Company needs to raise additional funds to sustain its operation for the next 12 months. As described in Note 1, the Company's access to financing is uncertain. There can be no assurance of continued access to adequate equity funding.

Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2022 are as follows:

		<1 year
Accounts payable and accrued liabilities	$	5,395,079
Due to related parties		128,328
Advance from Miningsky Container Ltd.		73,010
Lease payments		11,962
Government loan		40,000
Convertible loan		2,000,000
Total	$	7,648,379

21. FAIR VALUE OF FINANCIAL INSTRUCMENTS 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's exposure to interest rate risk 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.

22. SEGMENTED INFORMATION

The Company has one reportable segment. The Company manufactures and sells parts for cryptocurrency miner containers, and provides consulting services and cryptominers an all-in-one solution by offering warehouse space, low-cost electricity, and maintenance and hosting services in Canada.

23. CONTINGENCIES

AIP Asset Management Inc.

On December 16, 2020, the Company signed a letter of intention with AIP Asset Management Inc. ("AIP") whereby AIP undertook to assist the Company to finance certain acquisitions (the "LOI"). On June 10, 2021, AIP delivered a without prejudice settlement agreement in draft to the Company to settle any and all claims arising from the LOI in the total amount of $100,000. The Company subsequently delivered a counteroffer. As at March 31, 2022, the negotiation for settlement is ongoing and the amount at which a settlement may potentially be reached is not determinable. No amount in this regard has been recorded in the consolidated financial statements.

Proficana Solutions Ltd.

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

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

Other Contingencies

See Note 25 for events arising subsequent to year-end.

(Expressed in Canadian dollars)

24. INCOME TAXES

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

	2022	2021
	$	$
Combined statutory tax rate	27%	27%
Income tax recovery at combined statutory rate	1,791,368	334,960
Permanent difference and others	(331,966)	12,510
Change in tax rate	108	-
Difference in foreign statutory tax rates	(3,950)	-
Deferred tax assets not recognized	(1,455,560)	(347,470)
Net deferred tax recovery	-	-

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

	2022	2021
	$	$
Non-capital losses carry forward	2,811,559	1,669,680
Capital losses	27	5,073
CEBA loan	(1,079)	(2,347)
Convertible loan	(243,131)	-
Resource development and exploration costs	344,738	344,738
Investments	43,078	-
Property and equipment	751,909	247,146
Share issuance costs	14,601	1,852
Net deferred tax assets not recognized	3,721,702	2,266,142

As at March 31, 2022, the Company has approximately $10,468,000 (2021 - $6,184,000) of non-capital losses carryforward available to reduce taxable income for future years. These losses expire as follows:

	$
2026	72,000
2027	109,000
2028	111,000
2029	134,000
2030	111,000
2031	104,000
2032	99,000
2033	97,000
2034	75,000
2035	108,000
2036	108,000
2037	18,000
2038	1,711,000
2039	1,272,000
2040	456,000
2041	1,599.000
2042	4,284,000
	10,468,000

24. INCOME TAXES *(continued)*

The Company also has certain allowances in respect of resource development, exploration costs, and investment costs of approximately $1,436,357 which, subject to certain restrictions, are available to offset against future taxable income. The application of non-capital losses and resource development costs against future taxable income is subject to final determination of the respective amounts by the Canada Revenue Agency.

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

25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Litigations with the Former CEO

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

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

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

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

The9 Limited Actions

On July 21, 2021, the Company and The9 completed a financing transaction (the "Transaction") whereby The9 invested $4 million with the Company through the acquisition of $2 million of equity securities and $2 million in the Debentures. The purpose of the Transaction was to finance development of a cryptocurrency hosting facility at the Company's Birtle Site. (Note 9, 13 and 15).

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

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

25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD *(continued)*

On July 6, 2022, The9 brought an application for summary judgment on its claim against the Company for breach of the Financing Agreement (the "Summary Judgment Application"). On September 1, 2022, The9 filed a separate application seeking to appoint a receiver over all the assets, property, and undertakings of the Company (the "Receivership Application"). On September 20, 2022, the Supreme Court of British Columbia granted the Summary Judgment Application, ordering the Company to pay to The9 $2,006,800 inclusive of interest to July 6, 2022, plus prejudgment contractual interest of $4,164.04 from July 7, 2022, to September 20, 2022. Also on September 20, 2022, the Court dismissed The9's Receivership Application.

A subsidiary corporation of The9, NBTC Limited ("NBTC"), filed suit against the Company's wholly-owned subsidiary, Miningsky Manitoba with respect to alleged breaches of a hosting services agreement entered into between NBTC and Miningsky Manitoba. At present, NBCT's claims remain outstanding and it is too early to assess the strength of NBTC's claims against the Company.

Anova Energy Inc. Action

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

In September 2018, the Company completed its acquisition of Miningsky. (Note 1).

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

At present, Anova has not demanded a Statement of Defense from the Company or its subsidiaries, and no documents have been exchanged and no discoveries have taken place. It is too early at this stage in the proceeding to assess the strengths of Anova's claim or the defenses of Miningsky or Skychain to that claim.

New subsidiaries

On May 16, 2022, the Company incorporated its wholly-owned subsidiary RBN Digitech Labs Inc. ("RBN") under the Business Corporations Act of British Columbia the to be engaged in the business of developing non-fungible tokens ("NFT").

On June 1, 2022, RBN invested $100,000 in exchange for 33.33% of the capital of Peterific Studios, Inc., a British Columbia corporation developing a novel application of the "movement to earn" and "share to earn" systems.

Forfeiture of Stock Options

During June, 2022, 200,000 options exercisable into the Company's common stock at $0.80 per share and 100,000 options exercisable into the Company's common stock at $0.35 per share were forfeited due to the resignations of two of the Company's directors.

25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD *(continued)*

Office Lease

During July, 2022, the Company signed an office lease at a monthly rate of $4,514 (plus GST) for the term from August 1, 2022 to July 31, 2023.

Disposition of Investment in Miningsky Container

During September, 2022, the Company sold its 25% equity interest in Miningsky Container for gross proceeds of $1 to the 70% equity holder of Miningsky Container, whereby Miningsky Container and the Company agreed to mutual general release of all existing and future claims and obligations (Note 8).

Expiration of Warrants

During September 2022, 320,006 warrants exercisable into the Company’s common stock at $1.20 per share expired without being exercised.