SKYCHAIN TECHNOLOGIES INC.
Management Discussion and Analysis
For the Six Months Ended September 30, 2022

This management discussion and analysis of the financial position and results of operation ("MD&A") for SkyChain Technologies Inc. ("SkyChain" or the "Company") is prepared as at January 18, 2023 and is intended to assist in the understanding and assessment of trends and significant changes in the results of operations and financial condition of the Company. As such, it should be read in conjunction with the audited consolidated financial statements as at March 31, 2022 and for the year then ended which were prepared in accordance with the International Financial Reporting Standards ("IFRS"), as well as the unaudited consolidated financial statements as at September 30, 2022 and for the six months then ended which were prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

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

FORWARD-LOOKING STATEMENT

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

DESCRIPTON OF BUSINESS

Skychain Technologies Inc. ('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 605 – 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. ("MiningSky Manitoba") and 10117749 Manitoba Ltd. ("101 MB") respectively in the province of Manitoba. MiningSky, MiningSky Manitoba and 101 MB are involved in the business of developing all-in-one solution for cryptominers with warehouse space, low-cost electricity, and maintenance and hosting services.

On May 16, 2022, the Company incorporated its wholly-owned subsidiary RBN Digitech Labs Inc. ("RBN") under the Business Corporations Act of British Columbia to be engaged in the business of developing non-fungible tokens ("NFT"). During June, 2022, RBN invested $100,000 in exchange for 39.39% 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.

During August, 2022 RBN incorporated Cutaverse Labs, Inc. (“Cutaverse”), a British Columbia corporation developing a novel application of the “play to earn” system. RBN owns 66.67% of Cutaverse’s equity.

BUSINESS UPDATE

Crypto Currency Mining Hosting Services

Birtle, Manitoba Project

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 cryptocurrency mining hosting facility. 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 60month term at market price. Manitoba Hydro power permits and construction contract were assigned from the Lessor with the lease agreement. The Company had an option to acquire the land prior to the end of the three lease terms or March 1, 2030 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.

In July, 2021, the Company and The9 Limited (“The9”) completed a financing transaction whereby The9 invested $4 million with the Company through the acquisition of $2 million in common shares and $2 million in a convertible debenture. The purpose of the transaction was to finance the development of the Company’s Birtle project. The9’s subsidiary NBTC Limited (“NBTC”) paid the Company $2,962,748 as deposit for its hosting agreement with the Company.

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.

On March 14, 2022, as the Birtle Project became both technically and economically unfeasible to pursue, 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.

At the lease termination, the Company had expended a total of $1,533,595 on improvement to the leased land, including $1,093,780 relating to power connection and $439,815 for site work that was not removable from the land. As the result of the lease termination the Company wrote off the entire $1,533,595.

Melita, Manitoba and Other Projects

During the year ended March 31, 2022 the Company sought to purchase properties in Manitoba with the goal to develop crypto miner hosting sites, and incorporated 101 Manitoba which acquired an approximately four-acre property in Melita, Manitoba. Melita, Manitoba site does not have the permit issue, its potential power capacity is approximately double the size of that of the Birtle site, and the cost to construct is significantly lower than the Birtle site. As at the date of this report, no significant work has been carried out at the Melita, Manitoba site.

In addition to constructing its wholly owned facilities in Manitoba, the Company sought strategic partners for such projects in Alberta, Manitoba and the United States. The development of such hosting facilities is currently held in abeyance due to difficult industry conditions caused by decline in crypto currency prices and increased costs resulting from the global rising interest rates.

Rendering Farm and Data Center

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 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.

At present, as a result of the JV Partner's challenge to the Company's rights to the Skyrendering common shares for certain technicalities, the Company recorded a total of $188,321 in reimbursable expenditures paid on behalf of Skyrendering as doubtful receivable. The Company is seeking legal advice on recovering the investment and the receivable.

Investment in Miningsky Container Ltd.

On July 5, 2021, the Company incorporated Miningsky Container Ltd. (“Miningsky Container”) 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 was to make a total capital investment of US$250,000 in exchange for 25% of the total common shares issued and outstanding. As at March 31, 2022, the Company made a capital investment of $159,550 (US$125,000), representing 25% of the total share capital of Miningsky Container.

From Miningsky Container’s inception to March 31, 2022, the Company provided technical knowledge and labour work towards the manufacture of containers for Miningsky Container. On March 31, 2022, the Company recorded an impairment loss of the entire investment of $159,550 as the investment is not recoverable due to uncertainty as to the feasibility of Miningsky Container’s business plan.

In September, 2022 the Company disposed of 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. As a result, the Company recorded a gain on debt settlement of $44,145, representing the full balance advanced by Miningsky Container immediately prior to the Company’s ownership disposition and general release. As at September 30, 2022 and the date of this report the Company has no balance owed to Miningsky Container.

Self-mining and Defi-NFT Business

As announced on March 18, 2022, the Company intended to expand from its crypto/data centre business to self-mining and the creation in video gaming of digital assets or Non-Fungible Tokens (NFT) and digital payment or decentralized finance (DeFi) services to benefit from the growth in demand for these blockchain based solutions. On May 16, 2022 the Company incorporated its wholly owned subsidiary RBN Digitech Labs Inc. (“RBN”) under the Business Corporations Act of British Columbia to be engaged in the business of developing NFT's in a gaming environment.

During June, 2022, RBN invested $100,000 in exchange for 39.39% of the capital of Peterific Studios, Inc., a British Columbia corporation developing a novel application of the “move to earn” and “share to earn” systems. During August, 2022 RBN incorporated Cutaverse Labs, Inc. (“Cutaverse”), a British Columbia corporation developing a novel application of the “play to earn” system. RBN owns 66.67% of Cutaverse’s equity. Both these projects are at their early stages of development.

Other Projects

The Company’s management is actively searching for other business opportunities primarily in projects and businesses related to blockchain technology to maximize shareholder value.

SELECTED FINANCIAL DATA

The following selected financial information is taken from the unaudited consolidated financial statements for the six months ended September 30, 2022 and audited consolidated financial statements for the years ended March 31, 2022 and 2021, and should be read in conjunction with those financial statements.

	Six months Ended September 30, 2022 $ (Unaudited)	Year Ended March 31, 2022 $ (Audited)	Year Ended March 31, 2021 $ (Audited)
Operations:			
Revenue	-	-	2,565,131
Net loss	(1,949,926)	(6,634,695)	(1,240,591)
Basic and diluted loss per share	(0.07)	(0.33)	(0.09)
Balance Sheet:			
Working Capital Deficiency	(5,296,252)	(3,186,007)	(2,546,597)
Total Assets	5,502,569	7,260,517	1,518,446
Total long-term liabilities	-	-	31,306

Year ended March 31, 2022 in comparison to year ended March 31, 2021

During the year ended March 31, 2022 the Company recorded a net loss of $6,634,695, a significant increase from $1,240,591 for 2021.

In 2021 the Company carried out crypto miner hosting operations and recorded hosting service revenue of $2,529,131, and operation costs, property and equipment amortization of $154,572 and cost of sales of $48,792. In 2022 the Company generated no revenue after the termination of its operation in Houston, BC in July, 2020 and its operation in Sherbrooke, QC in March, 2021.

The Company's operation expanded significantly from the year ended March 31, 2021 to the year ended March 31, 2022 after completing the financing for its Birtle MB project in June, 2021 and commencing its construction in July 2021, as well as commencing the operations of Skyrendering in April, 2021 and Miningsky Container in July, 2021. As a result, total operating expenses increased from $1,380,391 to $4,836,326 as listed below.

	2022	2021
OPERATING EXPENSES		
Accounting and audit	269,510	133,420
Accretion and interest on loans and lease liabilities	220,156	54,129
Amortization of property and equipment	7,929	5,953
Bad or doubtful debt	213,259	-
Business development	118,194	95,703
Depreciation of right-of-use assets	228,799	143,786
Consulting and management fees	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	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	813,536	-
	4,836,326	**1,380,391**

The increase in accretion and interest from $54,129 to $220,156 was largely due to the interest accretion of $158,216 and a total interest of $16,491 incurred on the convertible debenture of $2 million from The9, where were new expenses in 2022. Although the Company's capital assets increased significantly from 2021, the amortization expenses slightly increased from $5,953 to $7,929 as the majority of the hosting equipment was completed but not in use in 2022. In 2022 the Company recorded bad or doubtful debt of $213,259, as the total advance of $188,321 to Skyrendering in 2022 was disputed by Skyrendering, and prior tax refund of $24,937 became stale. Depreciation of right-of-use assets increased from $143,786 to $228,799 largely due to the depreciation of $178,461 recorded on the capitalized Birtle land lease commenced in 2022. Legal fees increased from $30,825 in 2021 to $235,688 as the Company incurred significant legal fees to resolve certain historical disputes as well as to file claims against the former CEO and defend his dismissal for cause. During 2022 communication and marketing costs increased to $322,819 from $53,415 in 2021 as the Company expanded, with more information to be communicated to shareholders and financing available for the services. The Company recorded option-based expense of $813,536 in 2022 as 950,000 options and 1,100,000 options were granted to directors and officers of the Company and vested in July and December, 2021 respectively, while no options were granted in the year ended March 31, 2021.

In 2022 the Company received total government assistance of $163,545 for wage and rent assistance due to COVID 19, in 2021 the total received from the government assistance was $161,743. In 2022 the Company disposed less equipment as compared to 2021, and recorded a gain on sale of assets of $69,654, a decreased from $264,385 in 2021. In 2022 the Company recorded a loss on the Birtle hosting site lease termination of $40,071, while in 2021 the Company recorded a gain on office sublease of $45,734. In 2022 the Company recorded a total gain on debt settlement of $39,006 comprised of $31,887 from debt settled with the issuance of the Company's common shares and $7,119 forgiven by a creditor; in 2021 a gain of debt settlement of $23,687 was recorded at the amount forgiven by a creditor. In 2022 the Company recorded impairment of all of its investment of $159,550 in Miningsky Container as Miningky Container incurred significant losses after its operation commencement in July, 2021 and no recovery was expected. In 2022 the Company recorded a total impairment of $330,475 on hosting equipment and $1,533,595 on impairment of the hydro infrastructure developed and other improvement on the leased Birtle site upon termination of the lease agreement. No impairment was recorded in 2021.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes unaudited selected financial information for each of the recent eight quarters ended September 30, 2022 in accordance with IFRS.

	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Three Months Ended March 31, 2022	Three Months Ended December 31, 2021
Total assets	5,502,569	6,321,382	7,260,517	11,256,095
Working capital (deficiency)	(5,296,252)	(4,858,178)	(3,186,007)	(1,944,694)
Shareholders' equity (deficiency)	(1,438,729)	(960,828)	511,181	3,338,956
Net loss	(477,912)	(1,472,009)	(3,653,024)	(1,017,004)
Basic and diluted loss per share	(0.02)	(0.05)	(0.18)	(0.05)

	Three Months Ended September 30, 2021	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020
Total assets	6,680,547	5,172,735	1,518,446	1,662,460
Working capital (deficiency)	(533,144)	478,412	(2,546,597)	(1,491,252)
Shareholders' equity (deficiency)	2,009,670	1,096,151	(1,171,992)	(495,644)
Net loss	(1,324,914)	(639,753)	(686,756)	(13,400)
Basic and diluted loss per share	(0.07)	(0.04)	(0.05)	(0.00)

The Company has generated no revenue since April 1, 2021. incurred losses during each of the eight quarters. For the three quarters ending March 31, 2021 the Company relied on loans to finance its operations, resulting in increased working capital and increased shareholder deficiency from quarter to quarter.

In the quarter ended June 30, 2021, the Company raised a total of $4million with the issuance of equity and convertible debentures, and commenced constructing its Birtle hosting site, therefore total assets, working capital and shareholder equity increased significantly from the previous quarter.

In the quarter ended September 30, 2021 the Company continued to build its property and equipment and develop its lease improvements for its Birtle project, and financed it with increased current liabilities, therefore the increase in total assets, the significant decrease in working capital, and increased loss due to increased operating costs for the Birtle project and the losses incurred by Skyrendering and Miningsky Container. However, shareholder equity increased as estimated value of the granted and vested options were recorded as contributed surplus.

Total assets and expenses, and thus net losses, increased significantly from the quarter ended September 30, 2021 to the quarter ended December, 2021, as the Company continued to develop its projects. Shareholder equity increased from the previous quarter due to an additional $2million raise from the issuance of common shares and the granting and vesting of the options.

The Company's Birtle project was issued a stop work order by the City of Birtle in November, 2021, after which the Company continued to incur costs in order to salvage the project and fulfill its obligations under the financing agreement with The9. However, in March, 2022 the project became both technically and economically unfeasible to pursue. The management terminated the Birtle lease agreement and recorded significant asset impairment and reduction in the quarter ended March 31, 2022. During the same quarter, the Company also wrote off its investments in Miningsky Container and receivables from Skyrendering. Consequently, net loss recorded in the quarter ended March 31, 2022 increased significantly from previous quarters. During the last quarter of 2022, the Company reclassified the convertible debenture issued to The9 limited from long term liability to current liability, as the financing agreement for the debenture became in default when the Company was unable to deliver the hosting facility and services to The9 in accordance with the agreement. As a result, the working capital deficiency significantly increased from December 31, 2021 to March 31, 2022.

In the quarter ended June 30, 2022, the Company recorded a total loss of $1,472,014 of which $853,584 was loss due to The9 demanding early repayment of the convertible debenture upon default on the related financing agreement. As the Company continued to execute its obligations carried forward from its terminated projects, its total assets decreased and working capital deficiency increased, while shareholder equity turned into shareholder deficiency during the quarter as there was no equity injection during the quarter.

In the quarter ended September 30, 2022 the Company continued to incur net loss, reducing total assets, increasing working capital deficit and increasing shareholder deficiency.

RESULTS OF OPERATION

For the six months ended September 30, 2022 the Company's financial position and operation results include those of the Company and its wholly owned subsidiaries, MiningSky, MiningSky Manitoba,101 Manitoba and RBN. All inter-company transactions and balances are eliminated.

Three months ended September 30, 2022 in comparison to three months ended September 30, 2021

During the three months ended September 30, 2022 the Company recorded a net loss of $477,912, a significant decrease from $1,324,914 for the three months ended September 30, 2021.

The Company generated no revenue in the three months ended September 30, 2022 or three months ended September 30, 2021.

Operating expenses for the two periods are as follows.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
EXPENSES		
Accounting and audit	21,714	19,735
Accretion and interest	6,469	60,708
Amortization of property and equipment	1,565	18,580
Depreciation of right-of-use assets	2,881	17,831
Consulting and management fees	63,244	123,713
Legal fees	161,008	70,762
Marketing and corporate communication	-	99,174
Office and miscellaneous	44,769	66,925
Filing and listing fees	1,015	20,634
Salary and benefits	120,091	400,530
Transfer agent	150	463
Travel	874	11,774
Storage and handling	23,461	15,000
Business development	-	24,690
Bad or doubtful debt	66,005	-
Research and development	-	19,440
Option based compensation	-	450,913
	513,246	**1,420,872**

Accounting and audit expenses slightly increased from $19,735 to $21,714. Accretion and interest expense decreased from $60,708 to $6,469 because in the prior period accretion was recorded for three months on the convertible debenture and in the three months ended September 30, 202 accretion is not recorded on the convertible debentures after The9 Limited requested immediate repayment of the full principal of $2million together with interest accrued on the debentures. Legal fees increased from $70,762 to $161,008 as we have additional legal cases in the current period including those involving the former CEO and The9 Limited. In the quarter ended September 30, 2021 we recorded option based compensation of $450,913 for estimated value of the options granted and vested during the period, we had no options granted or vested during the current period. In the current period we recorded bad or doubtful debt of $66,005 for retainer paid to an overseas service provider which is unlikely to provide the services. The Company's storage and handling fees for its hosting equipment was largely recorded as part of the costs of the capital assets in the three months ended September 30, 2021 but all was expensed in the current period after the Company terminated its Birtle project in March, 2022. All other operating expenses decreased from the prior period as the Company reduced the scale of its operations after the termination of the Birtle, Skyrendering and Miningsky Container projects in March, 2022, and strived to save on costs in the current period.

In the three months ended September 30, 2021 the Company received total government assistance of $129,721 for wage and rent assistance due to COVID 19; there was no such assistance from the government during the current period. During the three months ended September 30, 2022 the Company recorded gain on sale of equipment of $3,222 compared to a loss of $2,497 on equipment sold in the three months ended September 30, 2021. In the three months ended September 30, 2021 the Company recorded equity investment loss of $31,266 on its investment in Skyrending and Miningstky Container. In the current period the Company recorded loss of $12,033 on equity investment in Perific. The Company's investment in Skyrendering is challenged by the JV partner who took control of Skyrendering and the Company is seeking legal advice on recovering the investment. During the three months ended September 30, 2022 the Company recorded a gain on debt settlement of $44,145 for amount owed to and forgiven by Miningsky Container.

Six months ended September 30, 2022 in comparison to six months ended September 30, 2021

During the six months ended September 30, 2022 the Company recorded a net loss of $1,949,926, a decrease from $1,964,667 for the six months ended September 30, 2021.

The Company generated no revenue in the six months ended September 30, 2022 or six months ended September 30, 2021.

Operating expenses for the two periods are as follows.

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2021
EXPENSES		
Accounting and audit	81,714	46,410
Accretion and interest	59,806	83,342
Amortization of property and equipment	4,550	38,050
Depreciation of right-of-use assets	5,763	44,575
Consulting and management fees	107,534	285,678
Legal fees	199,243	129,656
Marketing and corporate communication	-	261,147
Office and miscellaneous	139,703	83,326
Filing and listing fees	7,279	46,003
Salary and benefits	357,868	613,945
Transfer agent	150	1,419
Travel	25,157	22,965
Storage and handling	68,586	15,000
Business development	3,677	24,690
Bad or doubtful debt	66,005	-
Research and development	-	19,440
Option based compensation	-	450,913
	1,127,035	**2,166,559**

Accounting and audit expenses increased from $46,410 to $81,714 from the six months ended September 30, 2021, as accounting and audit required more resources due to additional subsidiaries and investments and additional non-routine and more complex transactions. Accretion expense decreased from $83,342 to $59,806 as in the current period no accretion was recorded on the convertible debenture after The9 Limited requested the immediate payment of the principal amount of $2million plus accrued interest and a loss on loan default was recorded to increase the carrying value to $2million. Legal fees increased significantly from $129,656 to $199,243 as in the current period we had additional legal actions relating to The9 Limited, the former CEO and Anova Energy. Office and miscellaneous expenses increased from $$83,326 to $139,703 largely due to the short term office rent recorded in the current period as operating expense, while in the six months ended September 30, 2021 the Company recorded the office lease payment towards its capitalized long-term lease as right-of-use asset from April to July of 2021. The Company's handling fees for its hosting equipment was recorded as part of the costs of its capital assets in the six months ended September 30, 2021 but expensed as operating expense in the current period after the Company terminated its Birtle project. In the current period we recorded bad or doubtful debt of $66,005 for retainer paid to an overseas service provider which is unlikely to provide the services. In the six months ended September 30, 2021 we recorded option based compensation of $450,913 for estimated value of the options granted and vested during the period, we had no options granted or vested during the current period. Travel expense slightly increased from $22,965 to $25,157 as we were seeking to develop partnerships in different locations in the current period. All other operating expenses decreased from prior period to the six months ended September 30, 2022, as the Birtle project, the Skyrending project and the Miningsky Container projected were largely terminated by March 31, 2022 and the Company strived to save costs in the current period.

In the six months ended September 30, 2021 the Company received total government assistance of $220,411 for wage and rent assistances due to COVID 19; there was no such assistance from the government during the current period. During the six months ended September 30, 2022 the Company recorded loss on sale of equipment of $1,419 compared to a gain of $48,063 on equipment sold in the six months ended September 30, 2021. In the six months ended September 30, 2021 the Company recorded equity investment loss of $58,600 on its investment in Skyrending and Miningsky Container. In the current period the Company recorded loss of $12,033 on equity investment in Peterific. During the six months ended September 30, 2022 the Company recorded loss of $853,584 on default on the Debentures issued to The9 Limited, as The9 Limited demanded immediate repayment of the principal amount of $2million together with the accrued interest after the Company's breached the financing agreement for the debentures with the termination of the Birtle project. During the six months ended September 30, 2021 the Company recorded hosting subcontractor cost of $7,982 as residual cost directly related to the hosting revenue generated in the year ended March 31, 2021. There was no such cost incurred in the current period ended September 30, 2022. During the six months ended September 30, 2022 the Company recorded a gain on debt settlement of $44,145 for amount owed to and forgiven by Miningsky Container.

LIQUIDITY AND CAPITAL RESOURCES

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

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

During the six months ended September 30, 2022 the Company used $128,880 in financing activities, $1,873,352 in operating activities and $63,136 in investing activities.

At September 30, 2022 the Company had a working capital deficit of $5,296,252, and no additional financing has been completed from April 1, 2022 to the date of this report. The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the next 12 months from the date of this report.

RELATED PARTY TRANSACTIONS

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

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 six months ended September 30, 2022 and 2021:

		Six Months Ended September 30, 2022		Six Months Ended September 30, 2021
Salaries and bonus, CEO, former CFO	$	50,000	$	69,016
Salaries and consulting fees, a former director		-		37,800
Salaries, former CEO		-		186,250
Consulting fees, a director		16,666		-
Salaries, CFO		60,000		-
Management fees, President		100,000		-
Total	**$**	**226,666**	**$**	**293,066**

Balances and other transactions

As at September 30, 2022, $34,167 (March 31, 2022 - $16,667) was owed to the President of the Company for management fees, an advance of $32 (March 31, 2022 - $31) was owed to a director, and advances of $115,379 (March 31, 2022 - $115,379) were owed to the former CEO and private companies controlled by the former CEO. During April, 2022, $117,378 was garnished from the Company as funds for the repayment of the former CEO's advances.

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.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Capital 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.

Fair Values and Classification of Financial Instruments

As at September 30 and 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 September 30, 2022, cash of $1,092,827 (March 31, 2022 - $3,161,765) was classified as Level 1. There were no transfers into or out of Level 2 or Level 3. There were no transfers into or out of Level 2 or Level 3 from April 1, 2022 to the date of this report.

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 September 30 and 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 September 30, 2022, the Company had a cash balance of $1,092,827 to settle current liabilities of $6,941,298. 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 September 30, 2022 are as follows:

		In 12 Months
Accounts payable and accrued liabilities	$	4,745,141
Advances from related parties		145,829
Lease payments		11,962
Government loan		40,000
Convertible loan		2,000,000
Total	$	6,942,932

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's main business is to provide hosting services to cryptocurrency miners. Although the Company does not mine cryptocurrency by itself, the fluctuation of cryptocurrency prices will affect the Company's potential customers and therefore the Company's operation indirectly.

SIGNIFICANT ACCOUNTING POLICIES

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

The Company's significant accounting estimates and judgments and accounting policies are included in Notes 3 and 4 to its audited consolidated financial statements for the year ended March 31, 2022 and Note 3 to its unaudited consolidated financial statements for the six months ended September 30, 2022.

New, amended and future accounting pronouncements

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's unaudited consolidated financial statements for the six months ended September 30, 2022.

OFF BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

COMMITMENTS

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

SHARE CAPITAL

Authorized

Unlimited common shares without par value

Outstanding

As at the date of this report and September 30, 2022, 26,835,601 common shares were issued and outstanding.

Common shares issued from April 1, 2021 to the date of this report

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 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.

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.

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.

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 repaid to the subscribers during the year ended March 31, 2022.

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 September 30, 2022 and the date of this report, 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.

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.

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
Forfeited	(300,000)	0.65
Balance, September 30, 2022	1,400,000	0.48
Forfeited	(100,000)	0.80
Balance, date of report	**1,300,000**	**0.46**

As at the date of this report the following options are outstanding:

Number of Options	Exercise Price	Expiry Date
	$	
300,000	0.80	July 8, 2023
1,000,000	0.35	December 29, 2026
1,300,000		

Warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, March 31, 2021	312,500	0.30
Exercised	(25,000)	0.30
Expired	(803,895)	1.07
Issued	4,087,480	1.25
Balance, March 31, 2022	3,571,085	1.21
Expired	(320,006)	1.20
Balance, September 30, 2022 and Date of this report	**3,251,079**	**1.22**

As at the date of this report, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
	$	
619,500	1.20	August 20, 2023
2,631,579	1.22	June 3, 2024
3,251,079		

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 September 30 and 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.

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.

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.

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, 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.

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.

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.

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.

SUBSEQUENT EVENTS

Forfeiture of Stock Options

During December, 2022, 100,000 options exercisable into the Company's common stock at $0.80 per share and were forfeited due to the resignations of a director of the Company.

DISCLOSURE CONTROLS AND PROCEDURES

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

Management's Responsibility for Financial Statements

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

BUSINESS RISKS

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

Crypto-currency industry

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

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

Malicious actors

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

Insufficient miner incentives

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

Fluctuations in utility and operating costs associated with cryptomining ventures

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

Intellectual property rights claims may adversely affect operations

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

Crypto-currency price fluctuations

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

Competition from other crypto-currency companies

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

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

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

Infringement of intellectual property rights

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

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

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

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

Regulatory changes may result in extraordinary, non-recurring expenses

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

Expansion risk

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

Technological advancements

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

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

Risk of obsolescence

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

Additional funding requirements

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

Limited operating history

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

ADDITIONAL INFORMATION

The information provided in this MD&A is not intended to be a comprehensive review of all matters concerning the Company. This MD&A should be read in conjunction with other disclosure documents provided by the Company, which can be accessed at www.sedar.com

No securities commission or regulatory body has reviewed the accuracy or adequacy of the information presented here.