

# **SKYLEDGER TECH CORP.**

FINANCIAL STATEMENTS  
AUGUST 31, 2019 and 2018  
*(Expressed in Canadian Dollars)*

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Skyledger Tech Corp.

### Opinion

We have audited the financial statements of Skyledger Tech Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2019 and August 31, 2018, the statements of loss and comprehensive loss, statements cash flows and statements of changes in equity for the year ended August 31, 2019 and the period from incorporation on November 29, 2017 to August 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2019 and August 31, 2018, and its financial performance and its cash flows for the year ended August 31, 2019 and the period from incorporation on November 29, 2017 to August 31, 2018, in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that the Company has not achieved profitable operations and will need additional financing to continue to develop its business and continue operations. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on 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. The other information comprises the Management Discussion & Analysis for the year ended August 31, 2019, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained

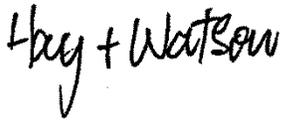
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up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

The engagement partner on the audit resulting in this independent auditor's report is Essop Mia.

A handwritten signature in black ink that reads "Hay + Watson". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants  
Vancouver, BC, Canada  
December 27, 2019

**Skyledger Tech Corp.**

Statement of Financial Position  
As at August 31, 2019 and 2018  
(Expressed in Canadian Dollars)

	Notes	2019 \$	2018 \$
<b>Assets</b>			
Current assets			
Cash		222,258	146,777
Accounts receivable		12,140	1,457
Prepaid expenses		15,625	386
Digital currency	7	54,813	39,655
		<u>304,836</u>	<u>188,275</u>
Equipment	6	44,355	82,978
Deferred financing fees	8(b)	-	15,823
		<u>349,191</u>	<u>287,076</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	9	41,479	31,877
<b>Equity Attributable to Shareholders</b>			
Share capital	8	845,714	498,870
Contributed Surplus		21,090	-
Accumulated other comprehensive income		4,112	-
Deficit		<u>(563,204)</u>	<u>(243,671)</u>
		<u>307,712</u>	<u>255,199</u>
		<u>349,191</u>	<u>287,076</u>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors on December 27, 2019:

"Gunther Roehlig" Director  
Gunther Roehlig

"James Liang" Director  
James Liang

**Skyledger Tech Corp.**

## Statement of Loss and Comprehensive Loss

For the year ended August 31, 2019 and the period from incorporation (November 29, 2017) to August 31, 2018

*(Expressed in Canadian Dollars)*

		August 31, 2019 \$	For the period from incorporation (November 29, 2017) to August 31, 2018 \$
	Notes		
<b>Income from digital currency mining</b>	7	30,589	29,118
<b>Cost of sales</b>		(86,777)	(48,791)
<b>Gross loss</b>		(56,188)	(19,673)
<b>Expenses</b>			
Depreciation	6	26,576	34,557
Office and miscellaneous		47,056	7,216
Professional fees		52,534	44,585
Total expenses		(126,166)	(86,358)
<b>Loss before other income (expense)</b>		(182,354)	(106,031)
<b>Other income (expense)</b>			
Interest income	5	-	1,898
Foreign exchange loss		(495)	-
Unrealized gain (loss) on change in fair value of digital currency	7	14,463	(14,463)
Write-down of equipment	6	(151,147)	(125,075)
Total other income (expense)		(137,179)	(137,640)
<b>Net loss</b>		(319,533)	(243,671)
<b>Other comprehensive income</b>			
Items that will not be reclassified to net loss			
Unrealized gain on change in fair value of digital currency	7	4,112	-
<b>Comprehensive loss</b>		(315,421)	(243,671)
<b>Loss per share – basic and diluted</b>	8(d)	(0.01)	(0.01)
<b>Weighted average number of shares outstanding – basic and diluted</b>		28,067,104	17,473,008

**Skyledger Tech Corp.**

## Statement of Cash Flows

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018

*(Expressed in Canadian Dollars)*

	August 31, 2019 \$	For the period from incorporation (November 29, 2017) to August 31, 2018 \$
<b>Cash Provided From (Used In)</b>		
<b>Operating Activities</b>		
Loss for the period	(319,533)	(243,671)
Items not affecting cash:		
Depreciation	26,576	34,557
Unrealized (gain) loss on change in fair value of digital currency	(14,463)	14,463
Write-down of equipment	151,147	125,075
Funds used in operations before working capital items	(156,273)	(69,576)
Net change in working capital items		
Accounts receivable	(10,683)	(3,329)
Digital currency	3,417	(29,118)
Prepaid expenses	(15,239)	(386)
Accounts payable and accrued liabilities	9,602	31,877
	(169,176)	(70,532)
<b>Investing Activities</b>		
Purchase of equipment	(139,100)	(242,610)
Loan provided	-	(50,000)
Proceeds on sale of loan	-	51,872
	(139,100)	(240,738)
<b>Financing Activities</b>		
Shares issued on private placement of shares	500,000	478,843
Share issue costs	(116,243)	(4,973)
Deferred financing fees	-	(15,823)
	383,757	458,047
Increase in cash	75,481	146,777
Cash – beginning of the period	146,777	-
Cash – end of the period	222,258	146,777
Cash paid for interest	-	-
Cash paid for income taxes	-	-
<b>Non-cash transactions:</b>		
Receipt of digital currency as a private placement subscription (Note 7)	-	25,000
400,000 Agents' warrant issued pursuant to the IPO (Note 8(b and c))	21,090	-

**Skyledger Tech Corp.**

## Statement of Changes in Equity

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018

*(Expressed in Canadian Dollars)*

	Common Shares #	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total \$
Balance – November 29, 2017, date of incorporation	-	-	-	-	-	-
Issued during the period:						
On incorporation	1	1	-	-	-	1
Issued pursuant to private placements of shares	2,500,000	12,500	-	-	-	12,500
Issued pursuant to private placements of units	24,567,103	491,342	-	-	-	491,342
Less: Issue costs – cash	-	(4,973)	-	-	-	(4,973)
Net loss for the period	-	-	-	-	(243,671)	(243,671)
<b>Balance – August 31 2018</b>	<b>27,067,104</b>	<b>498,870</b>	<b>-</b>	<b>-</b>	<b>(243,671)</b>	<b>255,199</b>
Issued during the year:						
Issued pursuant to Initial Public Offering	5,000,000	500,000	-	-	-	500,000
Less: Agents' warrants	-	(21,090)	21,090	-	-	-
Less: Issue costs - cash	-	(132,066)	-	-	-	(132,066)
Net loss for the year	-	-	-	-	(319,533)	(319,533)
Other comprehensive income for the year	-	-	-	4,112	-	4,112
<b>Balance – August 31, 2019</b>	<b>32,067,104</b>	<b>845,714</b>	<b>21,090</b>	<b>4,112</b>	<b>(563,204)</b>	<b>307,712</b>

# Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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## 1. Nature of operations and going concern

Skyledger Tech Corp. (the "Company" or "Skyledger") was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on November 29, 2017. On December 21, 2017, shareholders of the Company approved the change of the Company's name from 1143092 B.C. Ltd. to Skyledger Tech Corp. The Company's corporate head office is located at Suite 410 - 1040 West Georgia Street, Vancouver, British Columbia, Canada. The Company's principal business is cryptocurrency mining.

On April 26, 2019, the Company completed its initial public offering of 5,000,000 common shares of the Company at a price of \$0.10 per share for total gross proceeds of \$500,000 (Note 8(b)). The Company's common shares were listed on the Canadian Securities Exchange ("CSE") effective April 25, 2019 with its common shares commencing trading on the CSE on April 29, 2019 under the symbol "SKYL".

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. Carrying values as shown in these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

At August 31, 2019, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business. At August 31, 2019, the Company had working capital of \$263,357. The Company will need additional financing to continue to develop its business and to continue its operations. These factors give rise to material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management believes that the use of the going concern assumption is appropriate for these financial statements. Management believes that the Company will be able to obtain additional financing, through the issuance of either shares or debt to fund continuing operations. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

## 2. Basis of presentation and significant accounting policies

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis except for digital currencies as noted below.

Unless otherwise stated, all dollar amounts are in Canadian dollars.

These financial statements for the year ended August 31, 2019 were approved and authorized for issue by the board of directors on December 27, 2019.

The significant accounting policies used in the preparation of these financial statements are as follows:

### Cash and cash equivalents

Cash and equivalents include cash on hand, deposits held with banks and short-term highly liquid investments with original maturities of less than 90 days.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 2. Basis of presentation and significant accounting policies (continued)

#### Digital Currency

Bitcoins are classified as indefinite life intangible assets, because they do not expire or deteriorate over time and the Company expects to obtain benefits from its cryptocurrencies indefinitely, and are initially recognised at cost. Bitcoins are subsequently measured at fair value by reference to the quoted price in an active Bitcoin market, less any subsequent accumulated impairment losses. Increases in the carrying amount of Bitcoins on revaluation are recognised in profit and loss to the extent that revaluation decreases were previously recorded in profit and loss, otherwise revaluation increases are credited to other comprehensive income. Decreases that offset previous increases are recognised as other comprehensive income to the extent of any credit balance previously recognised; all other decreases are recognised in profit and loss. On disposal of Bitcoins, the cumulative revaluation surplus associated with those Bitcoins is transferred directly to retained earnings.

#### Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Computer equipment	4 years	Straight line basis
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#### Impairment of long-lived assets

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the year. Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 2. Basis of presentation and significant accounting policies (continued)

#### Financial assets and liabilities

##### a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

##### b) Measurement

###### ***Financial assets at FVTOCI***

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

###### ***Financial assets and liabilities at amortized cost***

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

###### ***Financial assets and liabilities at FVTPL***

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

##### c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date in the statement of loss and comprehensive loss as an impairment gain or loss.

##### d) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss). The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

## **Skyledger Tech Corp.**

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### **2. Basis of presentation and significant accounting policies (continued)**

#### **Revenue recognition**

The Company recognizes revenue received from the provision of transaction verification services within the Bitcoin network, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives Bitcoin from the Bitcoin network. Revenue is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt, based on the hourly volume weighted average price from the price index maintained by [www.coindesk.com](http://www.coindesk.com).

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue from mining of digital currencies. Management has examined various factors surrounding the substance of the Company’s operations and the guidance in IFRS 15, Revenue from Contracts with Customers, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company’s financial position and earnings.

#### **Earnings or loss per share**

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents basic earnings or loss per share adjusted for the number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

#### **Foreign currencies**

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 2. Basis of presentation and significant accounting policies (continued)

#### Income tax

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

### 3. Adoption of new accounting standards and accounting standards issued but not yet applied

#### Adoption of new accounting standards

##### *IFRS15, Revenue from Contracts with Customers*

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 became effective for the Company on September 1, 2018. This standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The Company determined that no contract exists with the digital currency network participant community as a whole in accordance with IFRS 15. This is because under such an implied contract, there are no enforceable rights and obligations which may be enforced against any individually identifiable parties. Therefore, the requirements of IFRS 15.9(b) are not met and the income from mining of digital currencies does not meet the definition of revenue from contracts with customers. Newly mined digital currency however continues to represent an inflow to the Company due to the economic benefit in the form of an increase in assets therefore should be recognized as income from digital currency mining on the completion and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. The adoption of IFRS 15 resulted in presentation changes which were applied retrospectively, specifically revenue is now referred to as income from digital currency mining. There was no other impact on the Company's financial statements as a result of the adoption of IFRS 15.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

### 3. Adoption of new accounting standards and accounting standards issued but not yet applied (continued)

#### *IFRS 9, Financial Instruments*

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement and became effective for the Company on September 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a measurement or disclosure impact on the Company's financial statements.

The following table shows the original classification of financial instruments under IAS 39 and the new classification under IFRS 9:

<b>Financial asset/liability</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

#### **Accounting standards issued but not yet applied**

#### *IFRS 16, Leases*

This standard eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases except for short-term (less than 12 months) and low-value leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing an asset. This standard is applicable to all entities and will supersede current lease accounting standards under IFRS. IFRS 16 is mandatory for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the adoption of this standard on the financial statements.

Other accounting standards or 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 financial statements.

### 4. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions based on current available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

### 4. Critical accounting estimates and judgments (continued)

In the process of applying the Company's accounting policies, management has made the following estimates, assumptions and judgments which have a significant effect on the amounts recognized in the financial statements:

- (i) *Going concern* – The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves management's judgement. Factors considered by management are disclosed in Note 1.
- (ii) *Digital currency valuation* – Digital currencies consist of cryptocurrency denominated assets (Note 7) and are included in current assets. Digital currencies are carried at their fair value determined by the spot rate based on the hourly volume weighted average from a price index maintained by www.coindesk.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies would have a significant impact on the Company's profit and loss and financial position.
- (iii) *Property and equipment* – In assessing the valuation of property and equipment (Note 6), management makes estimates in determining the expected economic lives of and net cash flows from property and equipment.
- (iv) *Income taxes* – In assessing the probability of realizing income tax assets (Note 10), management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

### 5. Loan receivable

	Debt \$	Conversion feature \$	Total \$
Balance, November 29, 2017 (date of incorporation)	-	-	-
Loan issued	42,523	7,477	50,000
Accrued interest	1,872	-	1,872
Proceeds from sale of loan to third parties	(44,395)	(7,477)	(51,872)
<b>Balances, August 31, 2019 and 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>

On April 3, 2018, the Company subscribed for a \$50,000 loan issued by Hello Pal International Inc. ("Hello Pal"). The loan bore interest at a rate of 15% per annum and was due five years from the date of issue.

At the option of the Company, the loan could have been converted into Hello Pal units at a price of \$0.115 per Hello Pal unit. Each unit consisted of one common share of Hello Pal and one share purchase warrant. Each warrant entitled the holder to purchase one additional common share of Hello Pal at a price of \$0.115 per share for a period of five years from the date of issue.

At the date that the loan was issued, the fair value of the debt component was determined to be \$42,523 using the net present value model with a discount rate of 20%. The fair value of the conversion feature was determined to be \$7,477.

On July 20, 2018, the Company sold the loan to third parties for proceeds of \$51,872.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
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### 6. Equipment

	Computer equipment \$
<b>Cost</b>	
Balance, November 29, 2017 (date of incorporation)	-
Additions	242,610
Write-down of equipment	(125,075)
Balance, August 31, 2018	117,535
Additions	139,100
Write-down of equipment	(151,147)
<b>Balance, August 31, 2019</b>	<b>105,488</b>
<b>Accumulated depreciation</b>	
Balance, November 29, 2017 (date of incorporation)	-
Depreciation	34,557
Balance, August 31, 2018	34,557
Depreciation	26,576
<b>Balance, August 31, 2019</b>	<b>61,133</b>
<b>Carrying amount</b>	
Balance, November 29, 2017 (date of incorporation)	-
Balance, August 31, 2018	82,978
<b>Balance, August 31, 2019</b>	<b>44,355</b>

Due to the decrease in prices of equipment used for mining activity, the Company recorded a write-down of computer equipment during the year ended August 31, 2019 of \$151,147 (2018 - \$125,075) to the computer equipment's estimated fair value less costs to sell.

### 7. Digital currency

	Number of Bitcoin	Bitcoin \$
Balance, November 29, 2017 (date of incorporation)	-	-
Received from mining activity	2.89988058	29,118
Received as payment for share subscription	1.43086080	25,000
Unrealized loss on change in fair value of digital currency	-	(14,463)
Balance, August 31, 2018	4.33074138	39,655
Received from mining activity	2.89443269	30,589
Sale for cash, net of transaction fees	(3.0098560)	(34,006)
Unrealized gain on change in fair value of digital currency	-	18,575
<b>Balance, August 31, 2019</b>	<b>4.21531807</b>	<b>54,813</b>

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 8. Share capital

#### a) Authorized:

An unlimited number of common shares without par value.

#### b) Financings:

##### *Initial Public Offering*

On April 26, 2019, the Company completed its initial public offering (the "IPO") of 5,000,000 common shares of the Company at a price of \$0.10 per share for total gross proceeds of \$500,000. Pursuant to the agency agreement dated January 31, 2019, Mackie Capital Research Corporation acted as agent (the "Agent") for the IPO. The Company paid to the Agent a cash commission of \$40,000, a work fee of \$20,000 and granted the Agent non-transferable warrants entitling the Agent to purchase a total of 400,000 common shares at a price of \$0.10 per share until April 26, 2021. The fair value of the warrants was estimated to be \$21,090 using the Black-Scholes option pricing model with the following inputs and assumptions: share price - \$0.10; exercise price - \$0.10; risk-free interest rate - 1.35%; expected life - 2.0 years; expected volatility - 100%; and expected dividends - \$nil. The Company incurred an additional \$72,066 in legal fees, filing fees and other transaction costs of which \$15,823 was included in deferred financing fees as at August 31, 2018.

The Company's common shares were listed on the Canadian Securities Exchange ("CSE") effective April 25, 2019 with its common shares commencing trading on the CSE on April 29, 2019 under the symbol "SKYL".

##### *Private Placements*

During the period ended August 31, 2018, the Company completed the following share and unit ("Unit") issues. Each Unit was composed of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of \$0.10 per common share for a two year period from the date of issue. The Company paid legal fees of \$4,973 for the private placements.

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
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### 8. Share capital (continued)

#### b) Financings (continued):

- i) On November 29, 2017, the Company was incorporated and the Company issued 1 common share to the founding shareholder for proceeds of \$1;
- ii) On December 31, 2017, the Company completed a seed round of financing raising gross proceeds of \$12,500 by the issuance of 2,500,000 shares at \$0.005 per share;
- iii) On February 15, 2018, the Company completed a private placement of \$385,000 through the issuance of 19,250,000 units at a price of \$0.02 per unit;
- iv) On March 31, 2018, the Company completed a private placement of \$20,000 through the issuance of 1,000,000 units at a price of \$0.02 per unit;
- v) On April 15, 2018, the Company completed a private placement of \$16,342 through the issuance of 817,103 units at a price of \$0.02 per unit;
- vi) On April 19, 2018, the Company completed a private placement of \$20,000 through the issuance of 1,000,000 units at a price of \$0.02 per unit;
- vii) On April 30, 2018, the Company completed a private placement of \$20,000 through the issuance of 1,000,000 units at a price of \$0.02 per unit;
- viii) On May 14, 2018, the Company completed a private placement of \$25,000 through the issuance of 1,250,000 units at a price of \$0.02 per unit;
- ix) On May 16, 2018, the Company completed a private placement of \$5,000 through the issuance of 250,000 units at a price of \$0.02 per unit;
- x) On June 6, 2018, 2,500,000 units previously issued were returned to treasury and cancelled. \$50,000 of subscription proceeds were returned; and
- xi) On June 22, 2018, the Company completed a private placement of \$50,000 through the issuance of 2,500,000 units at a price of \$0.02 per unit.

#### c) Warrants:

A summary of warrants outstanding as of August 31, 2019 and 2018 and the changes for the periods then ended is presented below:

	Number of warrants	Weighted average exercise price \$	Weighted average remaining life (Years)
Balance outstanding – November 29, 2017 (date of incorporation)	-	-	-
Issued	24,567,103	0.10	2.00
Balance outstanding – August 31, 2018	24,567,103	0.10	1.54
Issued	400,000	0.10	2.00
<b>Balance outstanding – August 31, 2019</b>	<b>24,967,103</b>	<b>0.10</b>	<b>0.55</b>

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 8. Share capital (continued)

#### c) Warrants (continued):

At August 31, 2019, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number	Exercise Price	Expiry Date
16,750,000	\$0.10	February 15, 2020
1,000,000	\$0.10	March 31, 2020
1,000,000	\$0.10	April 9, 2020
817,103	\$0.10	April 15, 2020
1,000,000	\$0.10	April 30, 2020
1,250,000	\$0.10	May 14, 2020
250,000	\$0.10	May 16, 2020
2,500,000	\$0.10	June 22, 2020
400,000	\$0.10	April 26, 2021
<u>24,967,103</u>		

#### d) Basic and diluted loss per share:

During the period ended August 31, 2019, potentially dilutive common shares totaling 24,967,103 (2018 – 24,567,103) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive.

#### e) Escrow shares:

On January 22, 2019, the Company entered into an escrow agreement with certain shareholders of the Company. 2,500,001 common shares of the Company were placed into escrow. These escrow shares will be released as follows:

Date of Automatic Timed Release	Amount of Escrow Shares Released
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On the date that the Company's common shares were listed on the CSE, April 26, 2019	1/10 of the escrow shares
6 months after the listing date (October 26, 2019)	1/6 of the remainder of the escrow shares
12 months after the listing date (April 26, 2020)	1/5 of the remainder of the escrow shares
18 months after the listing date (October 26, 2020)	1/4 of the remainder of the escrow shares
24 months after the listing date (April 26, 2021)	1/3 of the remainder of the escrow shares
30 months after the listing date (October 26, 2021)	1/2 of the remainder of the escrow shares
36 months after the listing date (April 26, 2022)	The remainder of the escrow shares

As at August 31, 2019, 2,250,001 common shares remained in escrow.

### 9. Related party transactions

During the year ended August 31, 2019 and the period from incorporation (November 29, 2017) to August 31, 2018, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies controlled or significantly influenced by directors and officers:

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
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### 9. Related party transactions (continued)

	August 31, 2019 \$	Period from date of incorporation (November 29, 2017) to August 31, 2018 \$
Accounting fees	22,576	15,219
Legal fees	5,263	9,366
Share issue costs (legal fees)	26,356	4,973
	<b>54,195</b>	<b>29,558</b>

The loan receivable (Note 5) was a related party transaction as Hello Pal has a common director.

During the year ended August 31, 2018, the Company acquired computer equipment for \$214,813 (Note 6) from a company controlled by a director of the Company.

At August 31, 2019, accounts payable and accrued liabilities included \$5,963 (2018 - \$8,305) owing to directors and officers of the Company or companies controlled or significantly influenced by directors and officers. The amounts owing include amounts related to expenditures charged to the Company. The amounts are unsecured, non-interest bearing and are due on demand. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

### 10. Income taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax expense (recovery) for the year ended August 31, 2019 and the period from incorporation (November 29, 2017) to August 31, 2018 is as follows:

	2019	2018
Statutory tax rate	27.00%	27.00%
	\$	\$
Loss for the period before income taxes	(319,533)	(243,671)
Expected income tax recovery	(86,274)	(65,791)
Net effect of deductible or non-deductible items	(38,384)	609
Unrecognized tax benefit	124,658	65,182
Income tax expense (recovery)	-	-

The significant components of the Company's deferred income tax assets and liabilities as at August 31, 2019 and 2018 are as follows:

	2019 \$	2018 \$
Tax loss carry forwards	69,758	19,054
Share issue costs	29,332	1,075
Equipment	91,086	43,101
Total unrecognized deferred income tax assets	190,176	63,230

## Skyledger Tech Corp.

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
(Expressed in Canadian Dollars)

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### 10. Income taxes (continued)

Deferred tax assets have not been recognized as the Company may not have sufficient taxable profit in the future to utilize the deferred deductions available for tax purposes.

At August 31, 2019, the Company had non-capital losses in Canada of approximately \$258,300 (2018 - \$70,500) which may be available to offset future income for tax purposes which expire in 2039.

### 11. Financial instruments

#### a) Management of capital:

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its assets and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of amounts attributable to shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the investment appetite in the cryptocurrency market and its ability to compete for investor support in this market.

The Company is not subject to any capital requirements imposed by a regulator.

#### b) Classification of financial instruments:

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The Company's cash, accounts receivable and accounts payable and accrued liabilities are classified as and measured at amortized cost.

#### c) Fair Value of Financial Instruments:

The Company classified its fair value measures within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

As at August 31, 2019, the Company had no financial instruments measured at fair value on a recurring basis. The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these instruments.

## **Skyledger Tech Corp.**

Notes to the Financial Statements

For the year ended August 31, 2019 and for period from incorporation (November 29, 2017) to August 31, 2018  
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### **11. Financial instruments (continued)**

#### **d) Financial instruments risk exposure:**

##### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions as well as accounts receivable. The Company's cash is held at a major Canadian financial institution. Accounts receivable consist of Goods and Services Tax receivable from the Government of Canada. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company has not provided an expected credit loss allowance as at August 31, 2019 and 2018.

##### *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has no interest-bearing financial assets or liabilities.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.