

# **SKYLEDGER TECH CORP.**

**Interim Management Discussion and Analysis  
For the Three and Nine Months Ended  
May 31, 2019**

The following Management Discussion and Analysis of Skyledger Tech Corp. ("Skyledger" or the "Company") was prepared as of July 30, 2019 and should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended May 31, 2019 and the annual audited financial statements for the period ended August 31, 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars (\$) or US dollars (US\$). Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Caution Regarding Forward Looking Statements***

Certain statements contained in this Management Discussion and Analysis constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Management Discussion and Analysis should not be unduly relied upon. These statements are current only as of the date of this Management Discussion and Analysis. The Company does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws.

In particular, this Management Discussion and Analysis contains forward-looking statements pertaining to the following:

- the business and operations of the Company;
- the Company's business objectives and discussion of trends affecting the business of the Company;
- the funds available to the Company and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Company;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital;
- anticipated revenues to be realized by the Company from Bitcoin mining operations; and
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company's control, include, but are not limited to: management's expectations regarding the future business, objectives and operations of the Company; the Company's anticipated cash needs and the need for additional financing; the Company's ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company's expectations regarding its competitive position; the Company's expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company's ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company's business and the markets in which it operates. Assumptions underlying the Company's working capital requirements are based on management's experience with other public companies in the cryptocurrency sector. Forward-looking statements pertaining to the Company's need for and ability to raise capital in the future are based on the projected costs of operating a cryptocurrency company and management's experience with raising funds in current market circumstances. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and in the Company's prospectus dated January 31, 2019 filed on [www.sedar.com](http://www.sedar.com):

- the Company's ability to continue as a going concern;
- inability to generate funds for general working capital and continuing operations;
- reliance on liquidation of mined output (coins) for funds required;
- the Company's cryptocurrency inventory may be largely reduced in value as a result of flaws in the cryptocurrency code or the actions of malicious actors;
- regulatory changes or actions may alter or prohibit investment in the Company's cryptocurrency business and may result in a restriction in the use of cryptocurrencies;
- the current value of cryptocurrencies and the value of the Company's future holdings of cryptocurrencies may be overvalued and volatile as a result of momentum pricing;
- there may be fraud or security failures of the cryptocurrency exchange(s) on which the Company's cryptocurrencies are exchanged resulting in closures of such cryptocurrency exchange(s) or complete losses of the Company's cryptocurrency balance;
- banks may refuse to provide cryptocurrency-related services resulting in a decrease in the usefulness of cryptocurrency and reduction in the value of the Company's cryptocurrency inventory;
- impact of global events on the price of cryptocurrency;
- the future development and acceptance of cryptocurrencies by governmental authorities;
- acceptance of cryptocurrencies by the public;
- the Company's operations, investment strategies and profitability may be adversely affected by competition from other cryptocurrencies or financial vehicles;
- the Company may be subject to incorrect or fraudulent transactions resulting in its coins being lost or irretrievable;
- incorrect or fraudulent transactions may be irreversible;
- the number of coins awarded for solving a block in the blockchain may be decreased to a level where there is not an adequate incentive for the Company to continue mining;
- the sale of coins by other vehicles investing in coins or tracking cryptocurrency markets may negatively affect cryptocurrency prices and reduce the value of the Company's inventory;
- the introduction of new services and technologies may make the Company's hardware and equipment at its facilities obsolete and it may be cost-prohibitive to upgrade the Company's hardware and equipment to remain competitive;
- the Company's ability to manage its growth;
- competition from other cryptocurrency companies;
- electrical supply risk;
- container exposure;
- uncertainty in obtaining additional financing;
- risks associated with inability to obtain adequate insurance for operations;
- fluctuations in the currency markets and stock market volatility; disruptions to the credit markets and delays in obtaining financing;
- investment in Common Shares carries a high degree of risk;
- there may not be an active or liquid market for the Company's shares;
- the Company may never pay dividends;
- the Common Shares may experience significant price volatility;
- the costs associated with the Company being a public company and listed on the Canadian Securities Exchange;
- the Company's directors and officers may serve on the boards and as officers of other companies whose interests may conflict with that of the Company;
- changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada.

This list of factors should not be construed as exhaustive. All subsequent forward-looking information attributable to the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein.

## **COMPANY PROFILE**

Skyledger Tech Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on November 29, 2017. The Company was incorporated for the purpose of cryptocurrency mining. 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 administrative office is located at suite 410 – 1040 West Georgia Street, Vancouver, British Columbia, Canada. The Company's common shares were listed on the Canadian Securities Exchange effective April 25, 2019 with its common shares commencing trading on April 29, 2019 under the symbol "SKYL".

## **OVERALL PERFORMANCE**

As at May 31, 2019, according to [www.coindesk.com](http://www.coindesk.com) the spot rate of Bitcoin was US\$8,513, which represents a decrease of US\$5,194 from the spot rate on the date of incorporation on November 29, 2017 of US\$13,707. The price of Bitcoin decreased to a low of US\$3,195 on December 15, 2018 increasing since that time to a high of US\$12,576 on July 9, 2019. The Bitcoin price on July 26, 2019 was US\$9,897.

As at May 31, 2019, the Company's cash and cash equivalents position increased by \$93,518 to \$240,295 from \$146,777 at August 31, 2018 as a direct result the initial public offering completed April 26, 2019.

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.

## **SUBSEQUENT EVENTS**

Subsequent to May 31, 2019, the Company completed the following corporate events:

1. The Company installed 10 of the 12 Bitmain Antminer S17s (the "S17 Rigs") it purchased to mine bitcoin at its operations in Gibsons, British Columbia. The S17 Rigs deliver higher economic performances and efficiency as compared to the existing S9s. Specifically, they will operate at 53 terra hashes per second and 45 joules per tera hash.
2. The Company sold a total of 2.0 Bitcoins for total proceeds of US\$16,658 in June 2019.
3. The Company currently holds 3.76 Bitcoins as at July 30, 2019.

## **DISCUSSION OF OPERATIONS**

### *Nine months ended May 31, 2019*

The Company had a loss of \$129,804 (\$0.00 per share) for the nine months ended May 31, 2019 ("2019") as compared to a loss of \$65,013 (\$0.00 per share) for the period from incorporation (November 29, 2017) to May 31, 2018 ("2018"). The increase in the loss for the 2019 period compared to the 2018 period is the net result of a number of differences in various line items as follows:

- Cost of sales of \$68,563 (2018 - \$18,093) increased due to the commencement of Bitcoin mining operations part way through the 2018 period.
- Depreciation of \$14,071 (2018 - \$19,719) decreased due to the reduced net book value of the equipment as a result of the write-down of equipment taken during Q1 of fiscal 2019.
- Office and miscellaneous of \$20,430 (2018 - \$7,154) is comprised of office rent, insurance and other miscellaneous expenses. The increase during the 2019 period was due to commencing a month to month office lease on March 1, 2019.
- Gain on change in fair value of digital currency of \$16,090 (2018 - \$nil) is the change in the fair value of the Company's Bitcoins.

- Write-down of equipment of \$27,190 (2018 - \$nil) is an impairment of the Bitcoin rigs to the equipment's estimated fair value less costs to sell.

#### *Three months ended May 31, 2019*

The Company had a loss of \$14,202 (\$0.00 per share) for the three months ended May 31, 2019 as compared to a loss of \$53,320 (\$0.00 per share) for the three months ended May 31, 2018. Professional fees of \$9,411 (2018 - \$28,042) decreased period to period offset by an increase in the gain on change in fair value of digital currency from \$nil to \$37,010.

### **SUMMARY OF QUARTERLY RESULTS**

#### **Quarterly Financial Information (unaudited)**

| For the three months ended (\$)  | May 31,<br>2019 | February 28,<br>2019 | November 30,<br>2018                 | August 31,<br>2018 |
|----------------------------------|-----------------|----------------------|--------------------------------------|--------------------|
| Net loss                         | (14,202)        | (31,262)             | (84,340)                             | (178,658)          |
| Basic and diluted loss per share | (0.00)          | (0.00)               | (0.00)                               | (0.01)             |
| Total assets                     | 509,082         | 156,982              | 227,505                              | 287,076            |
| Shareholders' equity             | 493,329         | 139,597              | 170,859                              | 255,199            |
| For the three months ended (\$)  | May 31,<br>2018 | February 28,<br>2018 | November 30,<br>( <sup>1</sup> )2017 |                    |
| Net loss                         | (53,320)        | (11,693)             | -                                    |                    |
| Basic and diluted loss per share | (0.00)          | (0.00)               | -                                    |                    |
| Total assets                     | 454,043         | 393,768              | 1                                    |                    |
| Shareholders' equity             | 433,545         | 385,807              | 1                                    |                    |

(<sup>1</sup>) For the period from incorporation (November 29, 2017) to November 30, 2017.

### **FINANCING ACTIVITIES**

#### *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 Company incurred an additional \$72,066 in legal fees, filing fees and other transaction costs.

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".

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company commenced earning income from digital currency in late-April 2018. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent on the Company's ability to efficiently mine and liquidate digital currencies.

As at May 31, 2019, the Company had working capital of \$312,512, including cash and cash equivalents of \$240,295 and digital currency with a fair value of \$54,804 (4.77875165 Bitcoin). In May 2019, the Company sold 0.99014397 Bitcoin for cash proceeds of \$11,567.

The Company does not have any commitments for material capital expenditures over the near term or long term.

## TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended May 31, 2019 and the three months ended May 31, 2018 and the period from incorporation (November 29, 2017) to May 31, 2018, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or significantly influenced by directors and officers:

|                                                 | Three months<br>May 31, 2019<br>\$ | Three months<br>May 31, 2018<br>\$ | Nine months<br>May 31, 2019<br>\$ | Period from<br>date of<br>incorporation<br>(November<br>29, 2017) to<br>May 31, 2018<br>\$ |
|-------------------------------------------------|------------------------------------|------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------|
| Accounting fees <sup>(1)</sup>                  | 5,259                              | 8,332                              | 16,674                            | 9,672                                                                                      |
| Legal fees <sup>(2)</sup>                       | 2,967                              | 7,210                              | 4,147                             | 7,210                                                                                      |
| Share issuance fees (legal fees) <sup>(2)</sup> | 8,009                              | -                                  | 26,356                            | -                                                                                          |
|                                                 | 16,235                             | 15,542                             | 47,177                            | 16,882                                                                                     |

(1) Includes fees charged by Malaspina Consultants Inc. where Matt Anderson, CFO, is a Managing Director. The business purpose of the transactions was to compensate Malaspina for accounting services.

(2) Includes fees charged by O'Neill Law LLP where Charles Hethey, Director, is a partner. The business purpose of the transactions was to provide legal services.

At May 31, 2019, accounts payable and accrued liabilities included \$1,647 (August 31, 2018 - \$8,305) owing to directors and officers of the Company or companies they control and/or companies they owned or significantly influenced by directors and officers. The amounts owing include amounts related to expenditures charged to the Company. The amounts are unsecured and non-interest bearing. Amounts are due on demand. The amounts have been recorded at their exchange amount, being the amount agreed to by the parties.

## FINANCIAL INSTRUMENTS

The Company is exposed, in varying degrees, to a variety of financial related risks. The fair value of the Company's financial instruments, including cash, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

The following describes the risk exposure of the Company and the way in which such exposure is managed:

### *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.

### *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.

## **OUTSTANDING SHARE DATA**

Authorized: Unlimited number of common shares without par value

Issued and outstanding: 32,067,104 common shares as at July 30, 2019.

Options and warrants outstanding as at July 30, 2019

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

## **DIGITAL CURRENCY AND RISK MANAGEMENT**

Digital currencies are measured at fair value, determined by taking the rate from [www.coindesk.com](http://www.coindesk.com).

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of coins; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin sales or future mining of digital currencies.

Digital currencies have a limited history and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of future price performance. The Company's digital currencies currently consist of Bitcoin. The table below shows the impact of the 25% variance in the price of each of the Company's digital currencies on the Company's earnings before tax, based on their closing prices at May 31, 2019.

|         |    | Impact of 25% variance in price |
|---------|----|---------------------------------|
| Bitcoin | \$ | 13,701                          |

## **RISK AND UNCERTAINTIES**

The Company faces a number of risks that are related to both the general cryptocurrency business as well as the Company's business model. Certain risks are discussed below and additional risks are discussed in the prospectus filed on [www.sedar.com](http://www.sedar.com) on January 31, 2019.

The Company is at risk due to the volatility/momentum pricing of any underlying digital currency mined by the Company and held in inventory – wide fluctuations in price, speculation, negative media coverage (highlighting for example, regulatory actions and lawsuits against industry participants) and downward pricing (and in particular Bitcoin and Bitcoin Cash) may adversely affect investor confidence, and ultimately, the value of the Company's digital currency inventory which may have a material adverse effect on the Company, including an adverse effect on the Company's profitability from current operations. The Company is also at risk due to the volatility of network hashrates (and lag between network hashrate and underlying cryptocurrency pricing), which may have an adverse effect on the Company's costs of mining. The Company is also at risk due to volatility in energy (electricity) pricing, a key factor in the Company's profitability of its mining operations, which is subject to, among other things, government regulation and natural occurrences which affect pricing. The Company may not be able to liquidate its digital currency inventory at economic values, or at all. Due to the newness of the industry, the Company may have restricted access to services available to more mainstream businesses (for example, banking services), and the general acceptance and use of digital currencies may never gain widespread or significant acceptance, which may materially adversely affect the value of the Company's digital currency inventory and long-term prospects of current operations. The Company may be required to sell its digital currency inventory in order to pay for its ongoing expenses (and in particular, expenses to maintain the Company's facilities and pay ongoing cloud agreement fees), and such sales may not be available at economic values. Given the novelty of digital currency mining and associated businesses, insurance of this nature is generally not available, or uneconomical for the Company to obtain which leads to the risk of inadequate insurance coverage. The occurrence of an event that is not covered or fully covered by the Company's existing insurance may have a material adverse effect on the Company. Additionally, while the Company takes measures to mitigate against losses of this nature, the Company's mined digital currency may be subject to loss, theft, or restriction on access, including loss due to cybercrime (hacking).

In terms of regulatory risks, governments may take action in the future that prohibit or restrict the right to acquire, own, hold, sell, use or trade digital currencies or exchange digital currencies for fiat currency. Such restrictions, while impossible to predict, could result in the Company liquidating its digital currency inventory at unfavourable prices which may have a material adverse effect on the Company.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements for the three and nine months ended May 31, 2019 and this accompanying MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 2625 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).