BLUESKY DIGTIAL ASSETS CORP.

(Formerly Gunpowder Capital Assets Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

April 29, 2020

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Bluesky Digital Assets Corp. ("Bluesky" or the "Company") (formerly Gunpowder Capital Corp.) and the financial performance for the years ended December 31, 2019 and 2018. This information, prepared as of April 29, 2020, should be read in conjunction with the audited consolidated financial statements of Bluesky for the years ended December 31, 2019 and 2018, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A, and specifically the "Outlook" section contains or incorporates forward-looking statements within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events.

Although the Company believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, Bluesky Digital Assets Corp., does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks related to our business".

Overview

Since September 2019 the company has been focused on pivoting from being a merchant bank to becoming a digital assets and AI software focused virtual mining company. While our AI focus is only in the incubation stage, our digital mining asset division has benefited from multiple staged deployments of carefully and astutely purchased mining hardware and deployed software solutions resulting in highly customised mining rigs as well as power optimised operation of such hardware. At this time revenues from digital mining are tracking upward and at the same time we have sold off and redeployed old assets and cut corporate costs that were associated with the previous business.

Business Objectives and Milestones

Bluesky's primary focus for 2019 changed to developing its digital assets mining business. The Company's set goals for fiscal 2019 included:

<u>Continue to develop the Company's blockchain business.</u>
During the year ended December 31, 2019, the Company formed a wholly owned subsidiary, MethodeVerte Inc. to focus on the blockchain business. In addition we announced that appointment of Anthony Pearlman as the President and COO of that subsidiary and that the subsidiary had acquired approximately 1,000 cards that were being actively used in cryptomining operations. We are very excited about this initiative and hope to have many more announcements as we execute on this strategy.

Outlook

Our goals for 2020 and beyond are to increase our digital assets mining revenue with many more staged deployments of additional hardware assets using our low cost acquisition strategy, optimized customization and low power consumption approach.

Annual Financial Information

	Year ended December 31, 2019	2018	2017
Total revenues	$ 695,047	$ 966,852	$ 975,974
Loss from continuing operations	(4,834,136)	(2,637,366)	(337,154)
Earning per share from continuing operations	(0.04)	(0.07)	(0.01)
Net loss	(4,672,744)	(2,625,683)	(337,154)
Earnings per share	(0.04)	(0.07)	(0.01)
Total assets	2,787,250	6,979,518	7,364,176
Total non-current financial liabilities	(171,971)	(2,490,060)	(1,615,485)
Dividends paid to common share shareholders	-	-	-
Dividends paid to "Class - A" and "Class - B" preferred shares shareholders	101,314	454,180	295,974

Fiscal Year 2019

Revenue from continuing operations for the year ended December 31, 2019 was $337,354, compared to $360,028 earned in the prior year. Revenue from continuing operations earned in 2019 was categorized into four segments – Merchant banking, Real estate, Consulting and advisory and Digital assets mining. The amounts of $100,693, $8,720, $133,485 and $94,456 were earned in 2019 in each of those segments respectively as compared to $172,138, $10,022, $177,868 and $nil which were earned in 2018 in each of those segments respectively.

Management expects a continued decline in revenues from the Merchant banking, Real estate and Consulting and advisory segments in the future as the Company's focus was redirected to Digital assets mining in the year ended December 31, 2019.

Quarterly results

The following table shows our results of operations for the last eight quarters:

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue from continuing and discontinued operations	$ 95,858	$ 162,692	$ 182,273	$ 254,224	$ 163,079	$ 159,981	$ 341,458	$ 302,335
Net Income (Loss)	(1,946,278)	(1,809,243)	(693,501)	(223,722)	(1,648,275)	(668,567)	(124,251)	(184,590)
Income (Loss) per share - basic and diluted	(0.02)	(0.03)	(0.01)	(0.00)	(0.03)	(0.02)	(0.00)	(0.01)
Cash	852,926	330,033	728,144	587,380	981,354	474,330	1,144,379	238,066
Buildings and improvements	283,151	-	3,231,644	4,555,337	4,562,247	4,542,928	4,559,827	4,287,341
Loans and other investment assets (long term)	718,082	1,841,197	2,086,527	2,370,935	921,173	1,516,081	784,922	1,716,458
Dividends paid to common share shareholders	-	-	-	-	-	-	-	-
Dividends paid to "Class - A" and "Class - B" preferred shares shareholders	-	-	-	101,314	101,314	109,314	121,276	122,276

Results of Operations

The following table shows the results of operations for the three months ended December 31, 2019 compared to the same period last year:

	Three months ended December 31, 2019	Three months ended December 31, 2018
INCOME		
Advisory services	$ 16,349	$ 40,329
Interest	17,653	28,199
Digital assets mining	37,200	-
Rental	8,720	10,022
COST OF DIGITAL ASSETS MINED		
Site operating costs	(41,816)	-
Depreciation	(11,233)	-
GROSS PROFIT	26,874	78,550
EXPENSES		
Management fees	456,000	106,800
Share-based compensation	441,641	-
Consulting and other professional fees	97,785	70,233
Amortization	67,527	3,694
Legal and audit fees	36,932	43,425
Loan interest and fees	24,194	24,623
Marketing and investor relations	21,797	42,315
Transfer agent and filing fees	21,811	10,337
Non-recoverable input tax credits	13,987	11,544
Property taxes and maintenance	5,142	-
Bank service charges	2,848	712
Travel and accomodations	1,950	31,192
General, office and administrative	1,180	16,629
Business development	-	124,856
NET (LOSS) BEFORE OTHER ITEMS	(1,165,919)	(407,811)
Impairment of financial instruments	(400,718)	(445,142)
Realized gain on investments	(56,422)	22,943
Unrealized (loss) on investments	(521,524)	(789,629)
Accretion on financial instruments	-	-
Foreign exchange gain (loss)	(7,815)	51,434
TOTAL OTHER ITEMS	(2,152,399)	(1,568,203)
DISCONTINUED OPERATIONS:		
Revenue	15,937	87,022
Expenses	(64,113)	(184,181)
Loss from sale of buildings	254,296	-
TOTAL LOSS ON DISCONTINUED OPERATIONS	206,120	(97,159)
NET LOSS AND COMPREHENSIVE LOSS	($ 1,946,279)	($ 1,665,362)

Operating expenses before other items for the three months December 31, 2019 were $1,192,793 compared to $486,361 for the same period in 2018. Business development costs of $124,856 were incurred in the three months ended December 31, 2018 in relation to shares issued in relation to a potential business acquisition which was subsequently abandoned. $441,641 of share-based compensation incurred in the three months ended December 31, 2019 related to stock options granted during the period as well as value of shares issued by the Company that were reclassified as share-based compensation in the period. Management fees for the quarter ended December 31, 2019 of $456,000 (2018 - $106,800) included termination fees of $420,000 to a former officer and a former consultant of the Company.

An impairment of financial instruments of $400,718 was recorded in the three months ended December 31, 2019 (2018 - $445,142). This included an impairment $117,260 of certain receivables and a $200,000 impairment of certain investments. Due to circumstances beyond a borrower's control, there was uncertainty in the determination the timing of repayments of the loan.

The Company recorded an unrealized loss on investments of $521,524 in the three months ended December 31, 2019 compared to an unrealized loss on investments of $789,629, respectively, from the same period in 2018.

The following table shows the results of operations for the year ended December 31, 2019 compared to the same period last year:

	Year ended December 31, 2019	Year ended December 31, 2018
INCOME		
Advisory services	**$ 133,485**	$ 177,868
Interest	**100,693**	172,138
Digital assets mined	**94,456**	-
Rental	**8,720**	10,022
COST OF DIGITAL ASSETS MINED		
Site operating costs	**(176,361)**	-
Depreciation	**(39,318)**	-
GROSS PROFIT	**121,675**	360,028
EXPENSES		
Management fees	**1,210,400**	431,700
Loan interest and fees	**546,936**	34,116
Share-based compensation	**517,641**	-
Consulting and other professional fees	**373,442**	300,027
General, office and administrative	**171,340**	188,558
Marketing and investor relations	**131,384**	118,232
Legal and audit fees	**120,153**	99,667
Travel and accomodations	**97,502**	102,178
Transfer agent and filing fees	**77,467**	64,680
Non-recoverable input tax credits	**57,981**	44,000
Amortization	**71,285**	14,778
Bank service charges	**7,156**	2,518
Property taxes and maintenance	**5,142**	6,417
Business development	**-**	124,856
NET (LOSS) BEFORE OTHER ITEMS	**(3,266,154)**	(1,171,698)
Unrealized (loss) on investments	**(916,998)**	(1,227,202)
Impairment of financial instruments	**(531,294)**	(445,142)
Realized (loss) gain on investments	**(85,822)**	135,856
Foreign exchange (loss) gain	**(33,868)**	66,583
Accretion on financial instruments	**-**	4,237
TOTAL LOSS ON CONTINUING OPERATIONS	**(4,834,136)**	(2,637,366)
DISCONTINUED OPERATIONS:		
Revenue	**357,693**	606,824
Expenses	**(432,538)**	(595,141)
Income from sale of buildings	**236,237**	-
TOTAL INCOME ON DISCONTINUED OPERATIONS	**161,392**	11,683
NET LOSS AND COMPREHENSIVE LOSS	**$ (4,672,744)**	$ (2,625,683)

Operating expenses before other items for year ended December 31, 2019 were $3,387,829 compared to $1,531,726 in 2018. With a change of management and the addition of the digital asset mining segment, the Company incurred $670,000 of termination payments and $490,000 of loan fees in the year ended December 31, 2019 that did not occur in the prior year. Share-based compensation of $546,936 was recorded in the year ended December 31, 2019 in relation to stock options granted and shares issued during the year (2018 - $nil).

For the year ended December 31, 2019

The following table shows revenues from continuing operations from the year ended December 31, 2019 compared to the same period in the prior year:

	2019	2018	Increase/ (decrease) in $	Increase/ (decrease) in %
Rental	$ 8,720	$ 10,022	($ 1,302)	-13%
Advisory services	133,485	177,868	(44,383)	-25%
Interest	100,693	172,138	(71,445)	-42%
Digital assets mining	94,456	-	94,456	100%
Total revenues	$ 337,354	$ 360,028	($ 22,674)	-6%

The Company began earning revenue from digital assets mining during they year ended December 31, 2019.

Interest income decreased to $100,693 for the year ended December 31, 2019 from $172,138 in the prior year due to the reduction in the Company's notes receivable portfolio as the Company changes direction to digital assets mining.

The following table shows operating costs for the year ended December 31, 2019 compared the prior year:

	2019	2018	Increase/ (decrease) in $	Increase/ (decrease) in %
Management fees	$ 1,210,400	$ 431,700	$ 778,700	180%
Loan interest and fees	546,936	34,116	512,820	1503%
Share-based compensation	517,641	-	517,641	100%
Consulting and other professional fees	373,442	300,027	73,416	24%
General, office and administrative	171,340	188,558	(17,218)	-9%
Marketing and investor relations	131,384	118,232	13,152	11%
Travel and accomodations	97,502	102,178	(4,676)	-5%
Legal and audit fees	120,153	99,667	20,486	21%
Transfer agent and filing fees	77,467	64,680	12,787	20%
Non-recoverable input tax credits	57,981	44,000	13,981	32%
Amortization	71,285	14,778	56,508	382%
Bank service charges	7,156	2,518	4,638	184%
Property taxes and maintenance	5,142	6,417	(1,276)	-20%
Business development	-	124,856	(124,856)	-100%
	$ 3,387,829	$ 1,531,726	$ 1,856,102	121%

Operating expenses before other items for the year was $3,387,829 compared to $1,531,726 in the prior year.

Management fees of $1,210,400 were incurred in the year ended December 31, 2019 compared to $431,700 during the prior year. A signification portion of this increase was related to termination payments of $670,000 paid to former management during 2019.

During the year ended December 31, 2109, the Company issued two promissory notes each with loan fees of 7,000,000 common shares of the Company. These common shares issued had a fair value of $490,000 and was recorded as loan interest and fees and represents a significant portion of the increase of $512,820 in loan interest and fees from the year ended December 31, 2018 to 2019.

The Company has changed its method of recording HST input tax credits during Q2 2017 in that only HST input tax credits which are deemed refundable is recorded as HST receivables. When it is reasonably estimable that a portion of the input tax credits is not eligible for refund, the amount is recorded as an expense. During the year ended December 31, 2019, the Company recorded an expense of non-recoverable input tax credits of $57,981 compared to $44,000 in the prior year.

During the year ended December 31, 2018, the Company incurred business development costs of $124,856 in relation to issuing shares for a potential deal that did not come to fruition. These were a one-time transaction and did not occur in the current year.

Liquidity and Capital Resources

The following table summarizes cash flows from the year ended December 31, 2019 compared to the prior year:

	Year ended Demember 31,	
	2019	2018
CASH (USED IN) OPERATING ACTIVITIES	$ (1,604,548)	$ (1,034,406)
CASH PROVIDED BY FINANCING ACTIVITIES	503,015	1,303,558
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	973,105	(280,553)
	(128,428)	(11,401)
Cash, opening balance	981,354	992,755
Cash, end of year	$ 852,926	$ 981,354

In addition to the operating activities discussed above, the Company generated $503,015 from financing activities (see the audited consolidated financial statements for details of these transactions) and received $1,410,429 from proceeds from sale of buildings in the year ended December 31, 2019.

As at December 31, 2019, Company had total current assets of $1,304,115 to meet its current liabilities of $429,829.

To successfully pursue its digital assets mining model, the Company plans to continue to raise debt and equity in order to pursue additional deals and build scale.

The ability of the Company to arrange such 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 dilution. If adequate financing is not available, the Company may be required to sell its interests in some or all of its assets / holdings or current properties and / or reduce or terminate its operations.

Additional disclosures

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as at the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Company's significant accounting policies are discussed in Note 3 of the notes to consolidated financial statements. Critical estimates inherent in these accounting policies are discussed in the following paragraphs.

Changes in Accounting Policies and Future Pronouncements

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IAS 23 – Borrowing Costs ("IAS 23") was amended in April 2018 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 16 – Leases ("IFRS 16") specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 was applied retrospectively for annual periods beginning on or after January 1, 2019. During the year ended December 31, 2019 and prior to January 1, 2019, the Company entered into two leases (Note 8 of the financial statements), all of which have been accounted for under the new standard using a modified retrospective approach with an adoption date of January 1, 2019.

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Condensed interim consolidated financial statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Financial Instruments

Financial assets and financial liabilities as at December 31, 2019:

	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
December 31, 2019			
Cash	$ 852,926	$ -	$ 852,926
Accounts and other receivables	345,675	-	345,675
Notes receivable	307,768	-	307,768
Investments	-	526,824	526,824
Accounts payable and accrued liabilities	(311,059)	-	(311,059)
Loans payable	(37,867)	-	(37,867)
Mortgages payable	(123,200)	-	(123,200)

The Company's has loans receivable outstanding and a significant portion of the Company's assets are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, credit and currency risks. As a result of the change in business, there are new risks, objectives, policies and procedures compared to the previous year as discussed below. A discussion of the Company's use of financial instruments and their associated risks is provided below:

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favorable prices. In addition, a significant portion of the Company's investments are in the resource sector. The Company mitigates this risk by attempting to have a portfolio which is not singularly exposed to any one issuer, with exception to the Company having two positions as at December 31, 2019 which made up of approximately 43% and 35% (December 31, 2018 – 44%) of the total equity portfolio.

For the year ended December 31, 2019, a 10% decrease in the closing price of this concentrated position would result in an estimated increase in net loss of $41,000 (December 31, 2018 - $30,000).

For the year ended December 31, 2019, a 10% decrease (increase) in the closing prices of its other portfolio investments would result in an estimated increase (decrease) in net loss of $12,000 (December 31, 2018 - $68,000).

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at December 31, 2019, the Company's current liabilities totaled $545,061 (2018 - $991,540) and cash totaled $852,926 (2018 - $981,354). The Company generates cash flow from advisory fees, loan interest, rental income and payment processing services. The payment processing segment was discontinued in 2018.

The Company manages liquidity risk by reviewing the amount of cash available, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations.

	Carrying amount	Contractual cash flows	Year 1	Year 2-3	Year 4-5	Greater than 5 years
Accounts payable and accrued liabilities	$ 311,059	$ 311,059	$ 311,059	$ -	$ -	$ -
Mortgages payable	123,200	160,221	13,540	27,080	27,080	92,521
Leases liabilities	244,905	265,967	119,928	146,039	-	-
Loans payable	37,867	344,561	68,400	160,800	113,303	2,058
Total	$ 717,031	$ 1,081,808	$ 512,927	$ 333,919	$ 140,383	$ 94,579

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, and arises principally from the Company's accounts and other receivables and notes receivable.

Security was obtained against specific assets of the counterparty, in case of non-performance on the notes receivable. The total carrying value of these financial instruments at December 31, 2019 was $307,768 (December 31, 2018 - $243,771). One lendee make up 79% of the Company's notes receivable balance at December 31, 2019 (December 31, 2018 – one lendee makes up 97%). Management considered the potential impairment of loans and receivables and recorded an impairment for the years ended December 31, 2019 and 2018.

The Company's advisory service revenues are primarily derived from a small number of customers within Canada. The Company had one customer who represented 58% of advisory services revenues in 2019 (2018 consulting fees revenue – three customers who represented 40%, 28% and 17% of advisory services). There can be no assurance that all or any of the Company's customers will continue to engage in the Company's services. The loss of any such customer may have a materially negative impact on the Company business conditions and financial results.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its loans receivable and investments are in United States dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Contractual Obligations and Commitments

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $360,000 (December 31, 2018 - $315,000) and additional contingent payments of up to approximately $nil (December 31, 2018 - $240,000) upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

In connection to the repurchase of Class – A preferred shares, the Company has commitments to repurchase a further $350,000 of Class – A preferred share at $10 per share over the next thirty-three months. Of this amount, $132,000 is expected to be repurchased in the next year. Subsequent to December 31, 2019, an amendment was made and commitment in the next year was reduced to $48,000.

The Company has discontinued mining operations in various jurisdictions and has written down the carrying value of the related assets to nominal amounts. An estimate of the total liability, if any, for which the Company might become obligated as a result of its role as operator, guarantor or indemnifier, is not determinable, nor expected to be material, and no amount has been provided for in these condensed interim consolidated financial statements.

The Company may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

Since the adoption of IFRS 16 on January 1, 2019, the Company no longer include lease agreements in commitments. Lease agreements are accounted for right-of-use assets and financial lease liabilities,

Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

i. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these instruments.
ii. Notes receivable, long-term notes receivable and long-term investments are carried at amounts in accordance with the Company's accounting policies as set out in Note 3 of the audited consolidated financial statements.
iii. Mortgages payable approximate their fair values due to the short time since they were received.
iv. Prior to maturity, the outstanding notes receivable are carried at their discounted value. Following their maturity, loans receivable are carried at their estimated realizable value.

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the consolidated statements of financial position as at December 31, 2019 and 2018:

Investments, fair value	Level 1 (Quoted market price)	Level 2 (Valuation technique - observable market inputs)	Level 3 (Valuation technique - non-observable market inputs)	Total
Publicly traded investments	$ 338,799	$ 4,691	$ -	$ 343,490
Private investments	-	-	183,334	183,334
December 31, 2019	$ 338,799	$ 4,691	$ 183,334	$ 526,824
Publicly traded investments	$ 500,979	$ 133,915	$ -	$ 634,894
Private investments	-	-	50,000	50,000
December 31, 2018	$ 500,979	$ 133,915	$ 50,000	$ 684,894

Outstanding share data

As at December 31, 2019, the Company had 198,646,270 common shares issued and outstanding, 493,020 preferred "Class – A" shares issued and outstanding and 1,250 preferred "Class – B" shares issued and outstanding. In addition, the Company has 84,856,828 common share purchase warrants outstanding priced at between $0.075 and $0.15 and 12,750,000 stock options entitling the holder to acquire an additional common share by paying $0.05 to $0.12 per common share.

As at April 29, 2020, the Company had 202,736,270 common shares issued and outstanding, 493,020 "Class- A" preferred shares issued and outstanding and 1,250 "Class – B" preferred shares issued and outstanding. In addition, the Company has 72,356,828 common share purchase warrants outstanding priced at between $0.075 and $0.15 and 12,750,000 stock options entitling the holder to acquire an additional common share by paying $0.05 to $0.12 per common share.

Transactions with Related Parties

JIT Financial Inc.
During the year ended December 31, 2017, the Company loaned $31,538 to JIT, in which the Company acquired a 12.5% ownership stake. As result of this stake, the Company appointed one of its officers to the Board of Directors of JIT. JIT is in the cash clearing business. The loan bears interest at a rate of 10% per annum and the Company charges a royalty of $0.05 per transaction on certain transactions processed by JIT. The loan is repayable on a basis of $0.25 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement.

During the year ended December 31, 2017, the Company loaned $1,000,000 to JIT, through a promissory note and a number of amendments of the promissory note. The loan bears interest at a rate of $0.30 per transaction on certain transactions processed by JIT. The loan is secured by a first charge and security interest in all of the present and after-acquired personal property and assets of the borrower pursuant to a general security agreement. During the year ended December 31, 2018, this loan was fully repaid to the Company.

On June 1, 2018, the Company disposed of its interest in JIT for $nil as part of exiting the cash clearing business. Operations related to JIT have been disclosed as discontinued operations in the Company's consolidated statement of loss and comprehensive loss.

Other related parties

During the years ended December 31, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Revenue earned from services			
	Years ended December 31,			
		2019		**2018**
Advantagewon Oil Corporation	**$**	**-**	$	59,939
Meryllion Resources Corporation		**77,586**		30,000
Bitblox Technologies Inc.		**32,000**		68,000

The Company formerly had a common officer and currently has one common officer with Advantagewon Oil Corporation ("Advantagewon"). The Company has two common officers with Meryllion Resources Corporation ("Meryllion") and Bitblox Technologies Inc.("Bitblox"). Included in accounts receivable are $nil from Advantagewon, $33,900 owing from Meryllion and $nil owing from Bitblox as at December 31, 2019 (2018 - $nil, 28,878 and $nil). In addition to the above revenues, the Company also earned $nil in interest income from Advantagewon in the year ended December 31, 2019 (2018 - $29,803). These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended December 31, 2019, the Company disposed of its subsidiary 53 McClary Ave Inc. to corporations controlled by a former officer and a former consultant of the Company. In relation to this disposal, the former officer and former consultant of the Company forgave $271,200 of accounts paying owing to them. A realized gain of $20,740 was recorded in relation to the disposal of this subsidiary in the consolidated statements of loss.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period was as follows:

	Year ended December 31,			
		2019		**2018**
Short-term benefits	**$**	**838,600**	$	253,200
Share-based payments		**202,765**		-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at December 31, 2019, the Company owed $5,374 (December 31, 2018 - $5,374) to a former officer of the Company and $nil (December 31, 2018 - $nil) to directors of the Company. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

<u>Off Balance Sheet Arrangements</u>

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

<u>Proposed Transactions</u>

The Company is not party to any proposed transactions that have not been disclosed elsewhere in this MD&A.

Risks Related to Our Business

Limited operating history

We have limited operating history, our financial position is not robust, and we lack profitable operations to date. The Company has incurred net losses since inception and may continue to incur net losses while it builds its business and as such it may not achieve or maintain profitability. In the year ended December 31, 2019, the Company changes its business to "Digital Assets Mining" from "Merchant Banking". The timeframe that the Company has been in the Digital Assets Mining space is very short compared to its competitors. The Company's limited operating history in Digital Assets Mining also makes it difficult to evaluate the Company's business and prospects, and there is no assurance that the business of the Company will grow or that it will become profitable.

Because of our limited operating history in Digital Assets Mining it is difficult to extrapolate any meaningful projections about the Company's future. Our competitors are significantly better funded than we are. This could prove detrimental in that we may not have the funds to attract potential clientele. There is no assurance that our revenues will continue to grow.

Historically incurred significant losses and our financial situation creates doubt whether we will continue as a going concern

During the year ended December 31, 2019, the Company realized a net loss of $4,672,744 compared with a net loss of $2,625,683 for the year ended December 31, 2018. As of December 31, 2019, the Company had a working capital of $874,285 and shareholders' equity of $2,070,218. There are no assurances that we will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If adequate working capital is not available we may be forced to discontinue operations, which would cause investors to lose their entire investment.

Early stage company

The Company is an early stage company. As such, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Company requires significant additional expenditures before any cash flow may be generated. 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.

Price Volatility Risk

The Company is at risk due to a wide fluctuation in the price of bitcoin, the speculative nature of the underlying asset, and negative media coverage. Downward pricing of bitcoin may adversely affect investor confidence, and subsequently, the value of the Company's bitcoin inventory, its stock price, and profitability.

Security Risk

Bitcoins are controllable only by the possessor of the private key relating to the local or online digital wallet in which the bitcoin is held. The bitcoin network requires a public key relating to a digital wallet to be published when used in a spending transaction and, if keys are lost or destroyed, this could prevent trading of the corresponding bitcoins. Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the bitcoin exchange market since the launch of the bitcoin network. Any security breach caused by hacking could cause loss of bitcoin investments.

Bitcoin Network Risk

The open-source structure of the bitcoin network protocol means that the core developers of the bitcoin network and other contributors are generally not directly compensated for their contributions in maintaining and developing the bitcoin network protocol. A failure to properly monitor and upgrade the bitcoin network protocol could damage the bitcoin network.

Digital Assets and Risk Management

Digital asset 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 bitcoin; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market price for bitcoin could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of bitcoin. Bitcoin has a limited history and the fair value historically has been volatile. Historical performance of bitcoin is not indicative of its future price performance. The Company's digital assets currently solely consist of bitcoin.

Bitcoin Halving Risk

The current global bitcoin network rewards miners 12.5 bitcoin per block, which is approximately 1,800 bitcoin per day. In May 2020, the bitcoin daily reward will halve to 6.25 bitcoin per block, or approximately 900 bitcoin per day. This halving may have a potential impact on the Company's profitability at the reward level of 6.25 coins. Based on the fundamentals of bitcoin mining and historical data on bitcoin prices and the network difficulty rate after a halving event, it is unlikely that the network difficulty rate and price would remain at the current level when the bitcoin rewards per block are halved. The Company believes that although the halving would reduce the block reward by 50%, other market factors such as the network difficulty rate and price of bitcoin would change to offset the impact of the halving sufficiently for the Company to maintain profitability. Nevertheless, there is a risk that a halving will render the Company unprofitable and unable to continue as a going concern.

Pandemic and COVID-19

The Company cautions that current global uncertainty with respect to the spread of the COVID-19 virus ("COVID-19") and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of the COVID-19 virus on the Company remain unknown, rapid spread of the COVID-19 virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, ability to visit Bluesky's facilities, results of operations and other factors relevant to the Company.

Cross border lending transactions in the U.S.A which presents tax risks among other obstacles

Cross-border lending transactions carry a risk of changes in tax and/or duties related to the import and export of our services, which can result in pricing changes, which will affect revenues and earnings. Cross-border lending transactions carry other risks including, but not limited to, changing regulations, wait times and changes in foreign exchange rates.

Reliance on key personnel

The Company's success will also depend in large part on the continued service of its key operational and management personnel, including executive staff, research and development, engineering, marketing and sales staff. Most specifically, this includes its CEO, CFO and COO. The Company faces intense competition for these professionals from its competitors, customers and other companies throughout the industry. Any failure on the Company's part to hire, train and retain a sufficient number of qualified professionals could impair the business of the Company.

May not be successful in our potential business combinations

The Company may, in the future, pursue acquisitions of other complementary businesses to increase its revenues. The Company may also pursue strategic alliances and joint ventures that leverage its core services and industry experience to expand its services offerings and geographic presence. The Company has limited experience with respect to acquiring other companies and limited experience with respect to forming collaborations, strategic alliances and joint ventures. If the Company were to make any acquisitions, it may not be able to integrate these acquisitions successfully into its existing business and could assume unknown or contingent liabilities. Any future acquisitions the Company makes, could also result in large and immediate write-offs or the incurrence of debt and contingent liabilities, any of which could harm the Company's operating results. Integrating an acquired company also may require management resources that otherwise would be available for ongoing development of the Company's existing business.

Need for financing in order to grow our business

From time to time, in order to expand operations the Company will need to incur additional capital expenditures. These capital expenditures are intended to be funded from third party sources, including the incurring of debt and/or the sale of additional equity securities. In addition to requiring additional financing to fund capital expenditures, the Company may require additional financing to fund working capital, sales and marketing, general and administrative expenditures and operating losses. The incurrence of debt creates additional financial leverage and therefore an increase in the financial risk of the Company's operations. The sale of additional equity securities will be dilutive to the interests of current equity holders. In addition, there can be no assurance that such additional financing, whether debt or equity, will be available to the Company or that it will be available on acceptable commercial terms. Any inability to secure such additional financing on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Global economic conditions may adversely affect our industry, business and results of operations

Our overall performance depends, in part, on worldwide economic conditions which historically is cyclical in character. The United States and Canada have largely worked its way out of an economic recession while other key international economies continue to be impacted by a recession, characterized by falling demand for a variety of goods and services, restricted credit, going concern threats to financial institutions, major multinational companies and medium and small businesses, poor liquidity, declining asset values, reduced corporate profitability, extreme volatility in credit, equity and foreign exchange markets and bankruptcies. By way of example, the borrowers that the Company lends funds to, may or may not be as affected by economic slow-down or recession as other industries or market segments. Currently, these conditions can be expected to change. In markets where sales occur and go into recession, these conditions affect the rate of spending and could adversely affect the Companies we invest in, customers' ability or willingness to purchase our products, and delay prospective customers' purchasing decisions, all of which could adversely affect our operating results. In addition, in a weakened economy, companies that have competing products may reduce prices which could also reduce our average selling prices and could harm our operating results.

Risks Related to Our Shareholders and Purchasing common and preferred shares

Our shares may continue to be subject to illiquidity because our common shares and "Class – A" preferred shares may continue to be thinly traded.

There are also continuing eligibility requirements for companies listed on public trading markets. If we are unable to satisfy the continuing eligibility requirements of any such market, then our common shares and "Class – A" preferred shares may be delisted. This could result in a lower trading price for both our "Class – A" preferred shares and common shares and may limit your ability to sell them, any of which could result in you losing some or all of your investments.

Our "Class – B" preferred shares are currently not listed on any stock exchange and therefore have very limited market. It is possible that our "Class – B" preferred shares may never qualify for listing onto a stock exchange.

No dividends have been paid on our common shares

We have never paid cash dividends on our common shares and do not presently intend to pay any cash dividends on our common shares in the foreseeable future. Investors should not look to dividends as a source of income.

In the interest of reinvesting initial profits back into our business, we do not intend to pay cash dividends in the foreseeable future on our common shares. Consequently, any economic return will initially be derived, if at all, from appreciation in the fair market value of our common shares, and not as a result of dividend payments.

We have the right to accrue the dividends on our "Class – A" & "Class – B" preferred shares and do not have to make payments.

Expectations to issue more shares in an equity financing, which may result in substantial dilution

Our articles of incorporation authorize the Company to issue an unlimited amount of Common Shares and up to 10% of our common share total as preferred shares. Any equity financing effected by the Company may result in the issuance of additional securities without stockholder approval and may result in substantial dilution in the percentage of both our common shares or our preferred Shares held by our then existing stockholders. Moreover, preferred shares and common shares issued in any equity financing transaction may be valued on an arbitrary or non-arm's length basis by our management, resulting in an additional reduction in the percentage of common shares and preferred shares held by our then existing stockholders. Our board of directors has the power to issue any or all of such authorized but unissued shares without stockholder approval. To the extent that additional common shares or preferred shares are issued in connection with a business combination or otherwise, dilution to the interests of our stockholders will occur and the rights of the holders of common shares might be materially adversely affected.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.