BLUESKY DIGITAL ASSETS CORP.
(FORMERLY GUNPOWDER CAPITAL CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE THREE AND NINE MONTHS ENDED SEPTEMEBER 30, 2020 AND 2019

November 30, 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 three and nine months ended September 30, 2020 and 2019. This information, prepared as of August 31, 2020, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Bluesky for the three and nine months ended September 30, 2020, as well as the audited consolidated financial statements for the year ended December 31, 2019 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three and s nine months ended September 30, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

<u>Forward Looking Statements</u>

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".

<u>Overview and outlook</u>

In the first quarter of 2020, the Company was able to accomplish an additional deployment of new mining assets just before markets fundamentally closed around COVID-19, form a JV and make further savings on the cost side.

During the first quarter of 2020 and continuing into the quarter ended September 30, 2020, the Company continued to face several challenges. The most significant of this was the virtual halt of global markets for hardware acquisition and freight shipping. This has delayed the Company's ability to acquire and deploy significant amounts of new hardware and raise capital. For the rest of the year the Management of the Company intend to acquire and deploy more mining assets, increase cash flow and revenue, reduce expenditures where possible, and raise capital. Furthermore, the Company intends to launch its "DeFi" Assets division or subsidiary in order to fund and develop it's early stage research and development into a potential additional diversified market position for Bluesky separate from digital mining.

"DeFi" refers to decentralized finance, which is representative of a new ecosystem comprised of financial applications that have been created on top of public distributed ledgers like todays blockchain infrastructure. DeFi can be best described as a broader approach of generally decentralizing the traditional financial industry and making these services open and available to everyone with better accountability and significantly lowered cost of usage to all users. The Company will also look into launching its Stablecoin program initiative which will have a tied in value and/or be pegged to standard acceptable backed assets like: gold and other precious metals; fiat currency; and commodity-based trading instruments.

We are targeting in the next quarter to initiate our planned artificial intelligence (AI) research and development program (R&D). This program would see formal engagement on a plan to develop complimentary and proprietary software solutions that would contribute to our efficiencies approach to and for our virtual mining current efforts.

Results of Operations

The following table shows the results of operations for the three and nine months ended September 30, 2020 compared to the same period last year:

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2020	2019	**2020**	2019
INCOME				
Digital Assets Mined	198,264	42,792	484,201	57,256
Interest	413	23,383	16,650	83,040
Advisory Services	5,500	7,500	12,207	117,136
Rental	-	-	1,352	-
Legacy Business (Payment processing)	-	20,823	-	72,195
TOTAL INCOME	204,178	94,498	514,410	329,627
COST OF DIGITAL ASSETS MINED				
Site Operation Costs	(50,146)	-	(317,253)	-
Depreciation	(60,562)	-	(181,222)	-
Exchange Fees	(1,963)	-	(5,608)	-
GROSS PROFIT	91,507	-	10,327	-
EXPENSES				
Management fees	117,417	575,800	389,576	754,400
General, office and administrative	19,372	178,153	43,790	304,706
Marketing and investor relations	8,505	29,079	37,926	109,587
Loans interest and fees	6,486	509,022	21,273	522,742
Transfer Agent and filing fees	2,659	27,787	24,671	55,656
Legal and audit fees	4,000	30,622	27,378	83,221
Non-recoverable input tax credits	-	22,231	19,233	43,994
Travel and accommodations	-	15,182	2,761	95,552
Consulting & other professional fees *(note 13)*	53,550	89,196	53,551	275,657
Property taxes and maintenance	2,179	-	4,358	-
Bank service charges	593	2,416	3,429	4,308
Share-based compensation	25,000	38,000	25,000	76,000
Amortization	2,100	29,163	24,112	31,844
NET (LOSS) BEFORE OTHER ITEMS	(239,763)	(1,452,328)	(677,057)	(2,028,040)
Unrealized (loss) gain on investments	-	(135,704)	(54,905)	(359,474)
Impairment of financial instruments	-	(130,576)	(7,031)	(130,576)
Other income	-	-	(15,284)	-
Accretion on financial instruments	-	-	-	-
Realized (loss) gain on investments	42,379	(53,788)	54,814	(29,400)
Realized (loss) gain on buildings	(92,376)	-	(92,376)	-
Foreign exchange (loss) gain	-	(2,037)	20,068	(26,053)
TOTAL OTHER ITEMS	(49,978)	(318,031)	(94,714)	(581,503)
TOTAL LOSS ON CONTINUING OPERATIONS	(198,234)	-	(761,445)	-
DISCONTINUED OPERATIONS				
Revenue	-	68,194	-	269,561
Expenses	-	(81,072)	-	(368,425)
Loss from sale of buildings		(26,004)	-	(18,059)
TOTAL INCOME (LOSS) ON DISCONTINUED OPERATIONS	-	(38,882)		(116,923)
NET LOSS AND COMPREHENSIVE LOSS	**(198,234)**	**(1,809,241)**	**(761,455)**	**(2,726,466)**

For the three months ended September 30, 2020

The following table shows revenues from continuing operations from the three months ended September 30, 202 compared to the same period in the prior year:

	Q3 2020	Q3 2019		Increase / (decrease) in $	Increase / (decrease) in %
INCOME					
Digital Assets Mined	$198,264	$42,792		**$155,472**	**+363%**
Interest	413	23,383		**(22,970)**	-98%
Advisory Services	5,500	7,500		**(2,000)**	-27%
Rental	-	-		**-**	0%
Legacy Business (Payment processing)	-	20,823		(20,823)	-100%
TOTAL INCOME	$204,178	$94,498		**$109,680**	+116%

The Company began its digital assets mining operations in Q2 of 2019, and since that time, the Company has transitioned the majority of its business towards the mining of digital assets. As a result, revenue from interest, rental and advisory services has materially decreased from the three months ended September 30, 2019 to the three months ended September 30, 2019.

Below the below table is selected financial information which shows a snapshot of the Company's reported Gross Revenues from its active digital assets mining operations.

	Q3, 2020	Q2, 2020	Q1, 2020	Q4,2020	Q3,2020	Q2, 2019
Gross Revenue	198,264	182,500	101,611	37,200	42,792	14,464

The Company has successfully mined a combined total of $576,831 CDN in digital assets since implementing the Digital Assets Mining segment into its business operations.

The following table shows operating costs for the three months ended September 30, 2020 compared to the same period in the prior year:

	Q3 2020	Q3 2019		Increase / (decrease) in $	Increase / (decrease) in %
Management fees	117,417	575,800		(458,383)	-80%
General, office and administrative	19,372	178,153		(158,781)	**-89%**
Marketing and investor relations	8,505	29,079		(20,574)	-71%
Loans interest and fees	6,486	509,022		(502,536)	-99%
Transfer Agent and filing fees	2,659	27,787		(25,128)	-91%
Legal and audit fees	4,000	30,622		(26,622)	-87%
Non-recoverable input tax credits	-	22,231		(22,231)	-100%
Travel and accommodations	-	15,182		(15,182)	-100%
Consulting & other professional fees	53,550	89,196		(35,646)	-40%
Property taxes and maintenance	2,179	-		(2,178)	2,178%
Bank service charges	593	2,416		(1,823)	-75%
Share-based compensation	25,000	38,000		(13,000)	-34%
Amortization	2,100	29,163		(27,063)	-93%
NET (LOSS) BEFORE OTHER ITEMS	(239,763)	(1,452,328)		**(1,212,565)**	-83%

In Q4 of 2019, to compliment its new business model of Digital Assets Mining, the Company implemented an aggressive cost reduction plan which has substantially reduced operating costs. Operating expenses before other items in Q3 was $239,763 compared to $1,452,328 in Q3 in the prior year. The reduction amounted to $1,212,565 in reduced operating expenses which represents approximately 83% in cost savings. COVID-19 has limited the amount of travel costs the Company normally incurs and it is expected that once the pandemic comes to an end, an reasonable increase in travel costs will occur.

Liquidity and Capital Resources

The following table summarizes cash flows from the three months ended September 30, 2020 compared the same period in the prior year:

	Three months ended Sept 30, 2020	Three months ended Sept 30, 2019
Cash (used in) operating activities	**$12,019**	$(704,774)
Cash (used in) provided by financing activities	**(164,797)**	(285,865)
Cash (used in) provided by investing activities	48,153	20,798
Cash opening balance	430,620	728,144
Cash end of period	325,996	330,033

As at September 30, 2020, Company had total current assets of $**486,596** to meet its current liabilities of $**313,000**

To successfully continue to expand its digital assets mining segment, 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 reduce or terminate its operations.

Additional disclosures

Critical Accounting Estimates

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

Financial Instruments

Financial assets and financial liabilities as at September 30, 2020:

September 30, 2020	Assets & liabilities at amortized cost	Assets & liabilities at fair value through profit and loss	Total
Cash	$ 325,996	-	$455,610
Accounts and other receivables	112,046	-	112,046
Total notes receivable	78,309	-	78,309
Investments	-	435,604	435,604
Accounts payable & accrued liabilities	(83,129)	-	(83,129)
Loans payable	(75,729)	-	(75,729)
Mortgage payable	-	-	-

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 September 30, 2020 which made up of approximately 43% and 35% (December 31, 2019 – two positions of 43% and 35%) of the total equity portfolio.

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 September 30, 2020, the Company's current liabilities totaled $313,00 (December 31, 2019 – $429,829) and cash totaled $ 325,996 (December 31, 2019 - $852,926). The Company generates cash flow from advisory fees, loan interest, rental income and digital asset mining.

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.

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 September 30, 2020 was $ 269,642 (December 31, 2019 - $307,768). One lendee make up 84% of the Company's notes receivable balance at September 30, 2020 (December 31, 2019 – one lendee makes up 79%). Management considered the potential impairment of loans and receivables and recorded an impairment for the three and nine months ended September 30, 2020 and 2019.

The Company's advisory services revenues was primarily derived from a small number of customers within Canada. The Company did not have any customers from advisory services revenues in 2020 (2019 consulting fees revenue – two customers who represented 60% and 18% 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, 2019 - $360,000) and additional contingent payments of up to approximately $nil (December 31, 2019 - $nil) 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.

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 September 30, 2020:

Investments, fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	(Valuation technique – observable market inputs)	(Valuation technique – non-observable market inputs)	
Publicly traded investments	$250,732	$1,538	-	$252,270
Private investments	-	-	$183,334	$183,334
September 30, 2020	$250,732	$1,538	$183,334	$435,604

Outstanding share data

As at September 30, 2020, the Company had 18,758,645 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 5,987,152 common share purchase warrants outstanding priced at between $0.90 and $1.80 and 1,062,500 stock options entitling the holder to acquire an additional common share by paying $0.60 to $1.44 per common share.

As at November 30, 2020, the Company announced that on November 24, 2020 that it had sold 8,038,888 Units raising $723,500 CDN in gross proceeds. The addition of the 8,038,888 Units increased the common share total from 18,758,645 to 26,797,533 common shares issued and outstanding. The addition of the 8,038,888 warrants from the 8,038,888 units increased the common share purchase warrants from 5,987,152 to 14,026,040. No changes were made to the outstanding totals of the Company's Class – A and Class – B Preferred Shares. On November 24, 2020 the Company announced that it had issued 1,400,000 stock options increasing the total issued amount of stock options from 1,062,500 to 2,462,500. The warrants outstanding are priced at between $0.15 and $1.80. The stock options entitle the holder to acquire an additional common share by paying $0.15 to $1.44 per common share.

Compensation of key management personnel of the Company
The remuneration of directors and other members of key management personnel during the periods were as follows:

	Three months ended Sept 30,		Nine months ended Sept 30	
	2020	**2019**	**2020**	**2019**
Short-term benefits	**$ 121,500**	$ **303,300**	**$ 265,000**	$ **397,900**
Share based payments	**25,000**	38,000	**25,000**	38,000

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.

Off Balance Sheet Arrangements

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.

Proposed Transactions

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

Additional Information

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