

Q1 2021



bluesky
DIGITAL ASSETS

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

(EXPRESSED IN CANADIAN DOLLARS)

JUNE 10, 2021

www.blueskydigitalassets.com



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Notice To Reader

The accompanying unaudited condensed consolidated interim financial statements of Bluesky Digital Assets Corp., have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Bluesky Digital Assets Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Unaudited

	As at March 31, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash	\$ 1,785,077	\$ 1,075,495
Accounts and other receivables (note 4)	28,398	14,777
Prepaid expenses	32,977	16,730
Investments (note 9)	614,115	506,720
Net investment in sublease (note 7)	22,242	32,751
Digital currencies	290,638	-
Total current assets	2,773,447	1,646,473
Equipment (note 6)	2,938,541	371,817
Total assets	\$ 5,711,988	\$ 2,018,290
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	\$ 403,914	\$ 353,712
Lease liability - current portion (note 7)	93,020	102,142
Loans payable - current portion (note 11)	-	6,515
Total current liabilities	496,934	462,369
Non-current liabilities		
Long-term lease liability (note 7)	19,203	37,535
Long-term loans payable (note 11)	118,945	145,207
Total liabilities	635,082	645,111
Equity		
Preferred shares (note 12)	2,054,685	2,889,855
Common shares (note 12)	16,520,410	13,316,732
Preferred shares to be registered (note 12)	(353,057)	(353,057)
Contributed surplus (note 14)	4,166,457	2,865,481
Warrants	2,458,345	1,160,869
Deficit	(19,769,934)	(18,506,701)
Total equity	5,076,906	1,373,179
Total equity and liabilities	\$ 5,711,988	\$ 2,018,290

Description of business (note 1)
Subsequent event (note 18)

"Frank Kordy", Director

"Ben Gelfand", Director

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Bluesky Digital Assets Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue		
Digital assets mined	\$ 710,312	\$ 5,415
Interest	-	13,854
Advisory services	-	101,611
Rental	-	630
Cost of revenue		
Exchange fees	-	(1,820)
Site operating costs	(173,903)	(132,211)
Depreciation	(118,770)	(60,098)
	417,639	(72,619)
Revaluation of digital currencies	(19,087)	-
Gain on sale of digital currencies	32,955	-
Operating expenses		
Management fees	\$ 170,000	\$ 137,459
Share-based payments (notes 12 and 14)	1,709,000	-
Loan interest and fees	2,204	13,370
Consulting and other professional fees	9,361	-
General, office and miscellaneous	8,893	20,522
Marketing and investor relations	136,513	15,276
Travel and accommodations	2,058	2,761
Legal and audit	30,233	10,000
Transfer agent and filing fees	26,257	10,693
Non-recoverable input tax credits	25,922	8,458
Amortization (note 6)	8,264	12,040
Loss before other items	(1,697,198)	(303,198)
Unrealized (loss) on investments	164,816	(54,905)
Realized (loss) on investments	269,149	(41,954)
Impairment of financial instruments (note 5)	-	(7,031)
Foreign exchange (loss) gain	-	20,068
Other income	-	15,284
Gain on recognition of sublease	-	-
Total loss and comprehensive loss for the period	\$ (1,263,233)	\$ (371,736)
Basic and diluted net loss per share (note 15)		
continued operations	\$ (0.04)	\$ (0.02)
discontinued operations	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	33,836,819	16,553,856

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Bluesky Digital Assets Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Unaudited

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating activities		
Net loss for the period	\$ (1,263,233)	\$ (371,736)
Adjustments for:		
Depreciation	118,770	72,139
Non cash consulting income	-	(11,284)
Non cash expenses	100,000	4,729
Share-based payments	1,709,000	-
Impairment on financial instrument	-	7,031
Unrealised investment (gain) / loss	(164,816)	54,905
Realised investment (gain) / loss	(269,149)	41,954
Digital asset revaluation	13,868	-
Accretion	2,384	-
Unrealised foreign exchange (gain)	7,417	(12,911)
Changes in non-cash working capital items:		
Accounts and other receivables	(13,621)	135,874
Prepaid expenses	(16,247)	23,397
Accounts payable and accrued liabilities	50,206	(46,309)
Inventory	(304,506)	-
Net cash used in operating activities	(29,927)	(102,211)
Investing activities		
Proceeds from sale of investments	319,149	10,925
Repayments received for notes receivable	-	3,509
Purchase of equipment	(2,685,494)	(95,447)
Net cash used in investing activity	(2,366,345)	(81,013)
Financing activities		
Proceeds from issuance of common shares	2,136,340	-
Stock options exercised	718,447	-
Lease payments paid, net receipts	(19,151)	(30,255)
Warrants exercised	303,173	-
Repayment of loan payable	(32,955)	(1,352)
Repayment of mortgages payable	-	(1,968)
Net cash provided by (used in) financing activities	3,105,854	(33,575)
Net change in cash	709,582	(216,799)
Cash, beginning of period	1,075,495	852,926
Cash, end of period	\$ 1,785,077	\$ 636,127

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Bluesky Digital Assets Corp.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Unaudited

	Preferred shares	Preferred shares to be registered	Common shares	Units to be issued	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2019	\$ 3,094,355	\$ -	\$ 12,504,865	\$ -	\$ 2,006,486	\$ 1,339,675	(16,875,163)	\$ 2,070,218
Issuance of common shares (net of share expiry of warrants)	-	-	-	-	14,310	(14,310)	-	-
Net loss for the period	-	-	-	-	-	-	(371,736)	(371,736)
Balance, March 31, 2020	3,094,355	\$ -	\$ 12,504,865	\$ -	\$ 2,020,796	\$ 1,325,365	\$(17,246,899)	\$ 1,698,482
Balance, December 31, 2020	\$ 2,889,855	\$ (353,057)	\$ 13,316,732	\$ -	\$ 2,865,481	\$ 1,160,869	(18,506,701)	\$ 1,373,179
Issuance of Units (net of share issue costs)	-	-	1,134,679	-	-	980,743	-	2,115,422
Shares issued for debt	-	-	100,000	-	-	-	-	100,000
Units issued for preferred shares	(835,170)	-	430,193	-	-	425,895	-	20,918
Stock options exercised	-	-	718,447	-	(411,697)	-	-	306,750
Warrants exercised	-	-	820,359	-	-	(105,489)	-	714,870
Warrants expired	-	-	-	-	3,673	(3,673)	-	-
Share-based compensation	-	-	-	-	1,709,000	-	-	1,709,000
Net loss for the period	-	-	-	-	-	-	(1,263,233)	(1,263,233)
Balance, March 31, 2021	2,054,685	\$ (353,057)	\$ 16,520,410	\$ -	\$ 4,166,457	\$ 2,458,345	\$(19,769,934)	\$ 5,076,906

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2021
(Expressed in Canadian Dollars)
Unaudited

1. Description of business

Bluesky Digital Assets Corp. (or the "Company") is a reporting issuer in Ontario, Alberta and British Columbia. In Canada, the Company's common shares trade under the symbol "BTC" on the Canadian Securities Exchange and under the trading symbol "BTCWF" in the United States on the OTC Markets QB. The Company's "Class – A" preferred shares trades under the symbol "BTC.PR.A" on the Canadian Securities Exchange.

Prior to September of 2019 and while operating under its old business name Gunpowder Capital Corp., ("GPC") and under its old business model of merchant banking and as an advisory services firm, GPC provided financial capital and capital markets advisory services. The Company offered a variety of financing options including mezzanine debt, bridge loans, convertible debentures and straight loans as well as equity financing. GPC's main focus with advisory services was to assist companies that are interested in going public, however, GPC was also involved with capital markets advisory services and advising on mergers and acquisitions.

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. The Company is in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain. The Company receives bitcoin in return for successful service.

The Company's corporate office and principal place of business is 100 King West, Suite 5700, Toronto, Ontario, Canada, M5X 1C9.

The unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2021 and 2020 were authorized for issuance in accordance with a resolution of the board of directors on June 10, 2021.

On May 12, 2020, the Company completed a 12:1 shares consolidation. All share quantities and share prices in these financial statements are stated based on their post-consolidation values, unless otherwise specified.

2. Basis of presentation

Statement of compliance to international financial reporting standards

The unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standing Interpretation Committee ("SICs").

Basis of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The unaudited condensed consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating internality balances and transactions.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)
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2. Basis of presentation (continued)

Basis of consolidation (continued)

The following companies have been consolidated within the consolidated financial statements:

Company	Registered	Principle activity
Bluesky Digital Assets Corp..	Canada	Parent Company
Bluesky Digital Assets Inc. ⁽¹⁾	Canada	Holding Company
MethodeVerte Inc. ⁽¹⁾	Canada	Holding Company
GP Self Storage Inc. ⁽¹⁾	Canada	Commercial Rental Company
GP Realty Inc. ⁽¹⁾	Canada	Holding Company
57 Wellington St. Inc. ⁽²⁾	Canada	Inactive
63 Wellington Street Inc. ⁽²⁾	Canada	Inactive
1209 Hickory Road Inc. ⁽²⁾	Canada	Dormant
559 Assumption Road Inc. ⁽²⁾	Canada	Dormant
934 Maisonville Road Inc. ⁽²⁾	Canada	Dormant
1571 Hickory Road Inc. ⁽²⁾	Canada	Dormant
663 Marentette Ave. Inc. ⁽²⁾	Canada	Inactive
491 Louis Ave. Inc. ⁽²⁾	Canada	Inactive
1 Balfour Place Inc. ⁽²⁾	Canada	Inactive
1021 Henry Ford Centre Inc. ⁽²⁾	Canada	Dormant

⁽¹⁾ 100% owned by the Parent Company

⁽²⁾ 100% owned by GP Realty Inc

Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value as explained in these unaudited condensed consolidated interim financial statements. These unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Going concern

The Company incurred a net loss during the three months ended March 31, 2021 of \$1,263,233 (2020 - \$371,736) and had an accumulated deficit of \$19,769,934 (December 31, 2020 - \$18,506,701). These conditions indicate material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. As at March 31, 2021, the Company had a working capital balance of \$2,276,513 (December 31, 2020 - \$1,184,104).

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the viability of the economics of bitcoin mining, the liquidity of bitcoin, the Company's ability to maintain its security of its digital assets and execute its business plan. Given the volatility in the financial markets, it may be difficult to raise financing when needed. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2021
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2. Basis of presentation (continued)

Going concern (continued)

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited condensed consolidated interim financial statements. Such adjustments could be material. 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

During the first quarter of 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods. However, currently COVID-19 did not have a significant impact on the Company's operations and access to financial markets.

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS's issued and outstanding as of June 10, 2021, the date the Board of Directors approved the statements. Except as disclosed in note 3, the same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the period ending December 31, 2021 could result in restatement of these unaudited condensed consolidated interim financial statements.

3. Significant accounting policies

Changes in accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2021 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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3. Significant accounting policies (continued)

New standards not yet adopted and interpretations issued but not yet effective

There are no relevant IFRS's or IFRS interpretations that are not yet effective that would be expected to have a material impact on the unaudited condensed consolidated interim financial statements.

4. Accounts receivable and other assets

	March 31, 2021	December 31, 2020
HST receivables	6,130	6,130
Other receivables ⁽ⁱ⁾	22,268	8,647
	\$ 28,398	\$ 14,777
Total accounts and other receivable	\$ 28,398	\$ 14,777

5. Notes receivable

	March 31, 2021	December 31, 2020
Balance, beginning of year	\$ 228,526	\$ 536,294
Amounts loaned	-	21,710
Interest	-	16,590
Repayments and settlements	-	(263,411)
Impairment	-	(49,400)
Foreign exchange difference	-	(33,257)
	\$ 228,526	\$ 228,526
Less: provision for other receivables	(228,526)	(228,526)
Balance, end of year	\$ -	\$ -
Short-term notes receivable	\$ -	\$ -
Total notes receivable	\$ -	\$ -

⁽ⁱ⁾ On July 23, 2016, the Company was engaged by Workspport Ltd (formerly Franchise Holdings International Inc. ("FHI")) to assist with the listing of its shares on the Canadian Securities Exchange. The Company has agreed to loan up to \$300,000 to FHI at an interest rate of 18% per annum. On July 26, 2016, the Company issued a secured promissory note to Truxmart Inc., a subsidiary of FHI for an amount up to \$59,000 with a maturity date of July 13, 2018. On October 1, 2016, the Company issued a secured promissory note to FHI for USD \$22,500 (\$33,383) with a maturity date of October 1, 2018. Both of these notes bear interest at a rate of 18% per annum. These loans are secured by a general security agreement over FHI as well as a charge on the assets of the business. For the year ended December 31, 2018, an impairment loss of \$228,525 was recorded on this loan and as at March 31, 2021 and December 31, 2020, this loan is carried at \$Nil net of the provision.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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6. Equipment

Cost	Digital asset mining rigs	Equipment	Office computers	Right-of-use assets	Total
Balance, December 31, 2019,	\$ 263,646	\$ 54,564	\$ 10,908	\$ 297,852	\$ 626,970
Additions	325,449	-	-	-	325,449
Disposals	-	-	-	(111,088)	(111,088)
Balance, December 31, 2020	589,095	54,564	10,908	186,764	841,331
Additions	2,685,494	-	-	-	2,685,494
Balance, March 31, 2021	\$ 3,274,589	\$ 54,564	\$ 10,908	\$ 186,764	\$ 3,526,825

Accumulated depreciation	Digital asset mining rigs	Equipment	Office computers	Right-of-use assets	Total
Balance, December 31, 2019	\$ (22,340)	\$ (54,564)	\$ (10,790)	\$ (57,374)	\$ (145,068)
Depreciation for the year	(296,809)	-	(118)	(67,914)	(364,841)
Disposals	-	-	-	40,395	40,395
Balance, December 31, 2020	(319,149)	(54,564)	(10,908)	(84,893)	(469,514)
Depreciation for the period	(101,791)	-	-	(16,979)	(118,770)
Balance, March 31, 2021	\$ (420,940)	\$ (54,564)	\$ (10,908)	\$ (101,872)	\$ (588,284)

Carrying amount	Digital asset mining rigs	Equipment	Office computers	Right-of-use assets	Total
Balance, December 31, 2020	\$ 269,946	\$ -	\$ -	\$ 101,871	\$ 371,817
Balance, March 31, 2021	\$ 2,853,649	\$ -	\$ -	\$ 84,892	\$ 2,938,541

Right-of-use assets

The Company's right-of-use asset includes a digital mining facility in Quebec, Canada.

7. Lease liabilities

A reconciliation of the carrying amount of the lease liabilities is as follows:

	Buildings
Balance, December 31, 2019	\$ -
Additions	244,906
Interest expense	15,791
Lease payments	(121,020)
Balance, December 31, 2020	139,677
Interest expense	2,206
Lease payments	(29,660)
Balance, March 31, 2021	\$ 112,223

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2021
(Expressed in Canadian Dollars)
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7. Lease liabilities (continued)

	As at March 31, 2021	As at December 31, 2020
Short-term lease expense	\$ 93,020	\$ 102,142
Long-term leases liabilities	19,203	37,535
	\$ 112,223	\$ 139,677

	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Buildings	\$ 93,020	\$ 19,203	\$ -	\$ -	\$ 112,223
Total	\$ 93,020	\$ 19,203	\$ -	\$ -	\$ 112,223

As at March 31, 2021, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is \$117,422.

Short-term leases are leases with a lease term of twelve months or less. As at March 31, 2021, the Company did not have any short-term leases. As at March 31, 2020, the Company had one short-term lease which has been accounted for as an operating lease. As at March 31, 2021, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liabilities, and there were no leases with residual value guarantees.

Net investment in sublease

On November 28, 2019, the Company entered into a sublease whereby its lease at 8 King Street East is assigned to an external unrelated party. The term of the sublease is for one year and nine months, commencing on January 1, 2020 and expiring on September 29, 2021.

The Company has classified this sublease as a finance lease, because the sublease covers the remaining term of the head lease.

The continuity of the net investment in sublease is presented in the table below:

	As at March 31, 2021	As at December 31, 2020
Balance, beginning of year	\$ 32,751	\$ -
Additions	-	73,480
Interest income on investment in sublease	-	4,407
Lease payments	(10,509)	(45,136)
	22,242	32,751

Bluesky Digital Assets Corp.
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8. Buildings and improvements

Cost	As at December 31, 2019	Additions / (disposals)	As at December 31, 2020	Additions / (disposals)	As at March 31, 2021
Madoc Self Storage	308,071	(308,071)	-	-	-
Total	\$ 308,071	\$ (308,071)	\$ -	\$ -	\$ -

Accumulated depreciation	As at December 31, 2019	Additions / (disposals)	As at December 31, 2020	Additions / (disposals)	As at March 31, 2021
Madoc Self Storage	24,920	(24,920)	-	-	-
Total	\$ 24,920	\$ (24,920)	\$ -	\$ -	\$ -

Net book value	As at December 31, 2019		As at December 31, 2020		As at March 31, 2021
Madoc Self Storage	332,991	(332,991)	-	-	-
Total	\$ 332,991	\$ (332,991)	\$ -		\$ -

During the year ended December 31, 2020, the Company disposed of Madoc Self Storage for a loss of \$117,832 recorded in the discontinued operations of the unaudited condensed consolidated interim statement of loss and comprehensive loss.

9. Investments

	March 31, 2021		December 31, 2020	
	Number of shares	Estimated fair market value	Number of shares	Estimated fair market value
Workspport Ltd.	271,215	129,837	271,215	51,106
Payfare Inc. (ii)	-	-	333,334	183,334
Advantagewon Oil Corp. (ii)	-	-	-	1,293
Cheetah Canyon Resources Corp.	1,698,850	-	1,698,850	-
Chess Supersite Corp	300,000	9,358	300,000	5,347
Eastwest Bioscience Inc.	658,182	19,745	658,182	13,164
Astro Airspace Ltd	500,000	157,028	500,000	124,137
Hemp Inc.	24,000,000	298,147	24,000,000	128,339
Total investments		\$ 614,115		\$ 506,720
Classification				
Short-term investments		614,115		506,720
Total investments		\$ 614,115		\$ 506,720

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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9. Investments (continued)

- (i) On August 30, 2016, the Company acquired 333,334 common shares of Payfare Inc. for \$50,000, a private company in the business of payment processing. On March 18, 2021 Payfare undertook a share consolidation of approx 6.25 to 1 which reduced the shareholdings from 53,103. On March 19, 2021 Payfare listed its Common Shares onto the TSX under the trading symbol "PAY" and the Company sold its holding for \$319,149 and an unrealized gain of \$183,334 previously recognized was reversed and a realized gain of \$269,149 was recorded in the consolidated statements of loss.
- (ii) Advantagewon Oil Corporation ("AOC") has one director in common with the Company. During the year ended December 31, 2019, the Company subscribed for 103,571 units of AOC for \$72,500. Each unit consists of one common share and one share purchase warrant which entitles the holder to purchase one common share of AOC for \$1.20 for two years after closing. These warrants were valued with the Black-Scholes method and had a fair value of \$20,997 on the date of receipt. As at March 31, 2021, these warrants have expired.

10. Mortgages payable

	March 31, 2021	December 31, 2020
Balance, beginning of year	\$ -	\$ 123,200
Repayments	-	(7,899)
Discharge	-	(118,573)
Transaction costs	-	3,272
Balance, end of year	\$ -	\$ -

On July 31, 2020, the Company sold the Madoc Self Storage for \$185,000 as disclosed in Note 8.

11. Loans payable

	March 31, 2021	December 31, 2020
Balance, beginning of year	\$ 151,722	\$ 37,867
Interest	178	2,610
Repayments	(32,955)	(7,700)
Proceeds for CEBA loans	-	118,945
Balance, end of year	\$ 118,945	\$ 151,722

Classification:

Short-term loans payable	\$ -	\$ 6,515
Long-term loans payable	118,945	145,207
Total notes receivable	\$ 118,945	\$ 151,722

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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11. Loans payable (continued)

Canada Emergency Business Account (CEBA) loan

During the three months ended March 31, 2021, the Company received \$nil in Canada Emergency Business Account (CEBA) loan, funded by the Federal Government. The terms of the loans is: Interest rate is 0% per year, but subject to the interest rate disclosed below in the loan extension section; loan repayment in whole or in part on or after July 1, 2020; \$30,000 (25%) of the \$118,945 loan is eligible for complete forgiveness if \$90,000 (75%) is fully repaid on or before December 31, 2022. Loan extension terms are: If the loan cannot be repaid by December 31, 2022, it will be converted into a 3 year term loan, charging an interest rate of 5%; Interest payments are due monthly and the outstanding principal balance must be fully repaid no later than December 31, 2025. However, the Company may repay some or all of the loan at any time

Other loan

On June 1, 2017, the Company borrowed \$50,000 from an unrelated party. The secured promissory note bears interest of 8% per annum and has a maturity of May 31, 2022. The note was secured by a mortgage charge on the 1209 Hickory Road property and upon the sale of the property the note was secured on the assets of the Company totaling the outstanding amount of the note. As at March 31, 2021, the loan has been fully repaid and the carrying value of loan is \$nil (December 31, 2020 - \$32,777).

12. Share capital

As at March 31, 2021, the Company's authorized share capital consists of unlimited number of voting common shares, 6,591,157 non-voting, cumulative, "Class – A" preferred shares and "Class – B" preferred shares that are redeemable at the option of the Company at fair value.

a) Preferred shares

Class A	Number of preferred shares	Amount
Balance, December 31, 2019 and March 31, 2020	493,020	\$ 3,081,855
Balance, December 31, 2020	493,020	\$ 2,877,355
Conversion to common shares units (ii)	-	(204,500)
Balance, March 31, 2021	493,020	\$ 2,672,855

(ii) During the three months ended March 31, 2021, a total of 782,779 Units were issued to reacquire 83,517 Class – A preferred shares with a value of \$835,170 into treasury.

Preferred shares to be registered

During the year ended December 31, 2020, the Company repurchased its own Class – A preferred shares from a related party through a series of multiple transactions. As at December 31, 2018 the Company had paid \$52,567 to be applied to preferred shares, which was included in other receivables. During fiscal 2020, an additional \$24,000 in cash was paid, along with issuance of 513,400 common shares with a value of \$51,330, and forgave the balance of a note receivable from an entity controlled by the related party in the amount of \$225,160 (Note 11). In exchange for all of these amount, the Company received 26,500 preferred shares, with a value of \$353,057. The preferred shares certificates have been physically received but had not yet been registered back into the Company's name and are therefore held in a separate account within equity at March 31, 2021.

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12. Share capital (continued)

a) Preferred shares (continued)

Class B	Number of common shares	Amount
Balance, December 31, 2019, March 31, 2020, December 31, 2020 and March 31, 2021	1,250	\$ 12,500

b) Common shares

On May 12, 2020, the Company consolidated its common shares on the basis of 1 new common share for every 12 common shares outstanding. All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation.

	Number of common shares	Amount
Balance, December 31, 2019 and March 31, 2020	16,553,831	\$ 12,504,865
Balance, December 31, 2020	27,844,731	\$ 13,316,732
Common shares issued (i)	5,094,779	3,018,170
Value of warrants granted (i)	-	(1,385,720)
Cost of issue (i)	-	(67,578)
Common shares issued for debt (ii)	119,048	100,000
Warrants exercised	794,289	820,359
Options exercised	2,045,001	718,447
Balance, March 31, 2021	35,897,848	\$ 16,520,410

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12. Share capital (continued)

b) Common shares (continued)

(i) Common shares issued - 2021

On January 15, 2021, the Company closed a non-brokered private placement offering of 4,366,000 Units for gross proceeds of \$2,183,000. Each Unit consisted of one Common Share in the capital of the Company and one Common Share Purchase Warrant, with each Warrant entitling the holder thereof the ability to purchase one additional Common Share of the Company at an exercise price of \$1.00 per Common Share for a period of 36 months from the closing of the financing. The fair value of the 782,779 warrants was estimated as \$404,977 using the Black-Scholes option pricing model with the following assumptions: 241% expected volatility; a risk-free interest rate of 0.2%; an expected dividend yield of Nil%; and 36 months expected term.

The Company incurred total of \$145,477 of share issue costs in relation to the common shares issued above. The Company also issued 93,120 warrants to brokers. each Warrant entitling the holder thereof the ability to purchase one additional Common Share of the Company at an exercise price between \$1.00 per Common Share for a period of 36 months. The fair value of the 93,120 warrants was estimated as \$20,922 using the Black-Scholes option pricing model with the following assumptions: 241% expected volatility; a risk-free interest rate of 0.46%; an expected dividend yield of Nil%; and 36 months expected term.

During the three months ended March 31, 2021, the Company acquired 83,517 of its Class – A Preferred Shares by issuing 782,779 Units of the Company to the former holders of the Class – A Preferred Shares. The Units were issued at a price between \$0.60 and \$1.50 per Unit. Each Unit consisted of one Common Share in the capital of the Company and one Common Share Purchase Warrant, with each Warrant entitling the holder thereof the ability to purchase one additional Common Share of the Company at an exercise price between \$1.00 per Common Share for a period of 36 months. The fair value of the 782,779 warrants was estimated as \$404,977 using the Black-Scholes option pricing model with the following assumptions: 241% expected volatility; a risk-free interest rate of 0.46%; an expected dividend yield of Nil%; and 36 months expected term.

(ii) Common shares issued for debt - 2020

The Company issued an aggregate of 119,048 common shares with an estimated fair value of \$100,000 to compensate for services provided by a consultant of the Company.

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13. Warrant reserve

	Number of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2019 and March 31, 2020	7,071,402	\$ 1,339,675	\$ 0.62
Balance, December 31, 2020	13,532,860	\$ 1,160,869	\$ 0.40
Issued (note 12)	4,963,787	1,406,638	1.02
Expired	(27,777)	(4,037)	0.90
Exercised	(794,289)	(105,125)	0.90
Balance, March 31, 2021	17,674,581	\$ 2,458,345	\$ 0.54

The following table reflects the warrants issued and outstanding as of March 31, 2021:

Expiry date	Number of warrants	Grant date fair value	Exercise price
April 29, 2021	347,933	\$ 47,902	\$ 0.90
August 12, 2021	383,333	48,083	0.90
September 18, 2021	148,917	20,077	0.90
October 21, 2021	1,957,000	347,216	0.90
November 25, 2021	580,000	98,710	0.90
April 15, 2022	340,833	100,520	0.90
February 1, 2023	8,952,778	389,199	0.15
January 15, 2024	4,459,120	1,001,661	1.00
March 11, 2024	376,667	109,451	0.90
March 11, 2024	128,000	295,526	2.00
	17,674,581	\$ 2,458,345	\$ 0.54

14. Contributed surplus

a) Shared-based compensation

Employee share option plan

The shareholders of the Company approved the Company's existing stock option plan, the "Plan", to be administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

During the three months ended March 31, 2021, \$1,709,000 (three months ended March 31, 2020 - \$nil) of stock-based compensation was recorded in the unaudited condensed consolidated interim statement of loss for 2,225,000 stock options (three months ended March 31, 2020 - 2,225,000) granted to directors, officers, former officers and consultants of the Company.

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14. Contributed surplus (continued)

a) Shared-based compensation (continued)

Employee share option plan (continued)

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The Company grants all employee stock options with an exercise price equal to or greater than the market value of the underlying common shares on the date of grant.

	Number of stock options	Fair value of stock options	Weighted average exercise price
Balance, December 31, 2019 and March 31, 2020	1,062,500	\$ 424,600	\$ 0.78
Balance, December 31, 2020	2,462,500	\$ 615,070	0.28
Granted	2,225,000	1,709,000	0.60
Expired	(166,667)	(28,420)	0.60
Exercised	(2,045,001)	(411,697)	0.15
Balance, March 31, 2021	2,475,832	\$ 1,883,953	\$ 0.28

The following table reflects the actual stock options issued and outstanding as of March 31, 2021:

Expiry date	Exercise price	Estimated fair value at grant date	Number of options outstanding and exercisable	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
July 11, 2021	\$1.20	\$ 7,050	8,333	161%	5	0%	0.53%
December 1, 2021	1.20	3,500	8,333	156%	5	0%	1.07%
January 4, 2024	0.60	354,000	600,000	243%	3	0%	0.25%
January 11, 2024	0.60	1,355,000	1,625,000	241%	3	0%	0.20%
September 4, 2024	0.15	38,000	83,333	188%	5	0%	1.85%
October 18, 2024	0.15	12,743	63,333	228%	3.9	0%	0.38%
May 5, 2026	1.44	98,160	70,833	143%	10	0%	0.98%
June 19, 2027	1.20	15,500	16,667	131%	10	0%	1.54%
		\$ 1,883,953	2,475,832				

15. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2021, was based on the loss attributable to common shareholders of \$1,263,233 (three months ended March 31, 2020 - \$371,736) and the weighted average number of common shares outstanding of 33,836,819 (three months ended March 31, 2020 - 16,553,856). Diluted loss per share did not include the effect of 17,674,581 warrants or 2,475,832 stock options for the three months ended March 31, 2021 (three months ended March 31, 2020 - 11,222,307 warrants or 1,062,500 stock options) as their effect is anti-dilutive.

Bluesky Digital Assets Corp.
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16. Related party transactions

Key management personnel includes the Board of Directors of the Company, officers, and close family members and enterprises which are controlled by these individuals, as well as certain persons performing similar functions.

(a) The Company entered into the following transactions with related parties in the ordinary course of business:

	Three Months Ended March 31,	
	2021	2020
Bitblox Technologies Inc.	-	32,000

(b) Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Three Months Ended March 31,	
	2021	2020
Management fees	\$ 170,000	\$ 121,500
Share-based payments	1,250,769	-
	\$ 1,420,769	\$ 121,500

17. Segmented information

As at March 31, 2021, the Company has two reportable segments; corporate, and digital asset mining. The merchant banking segment provides loans to third parties and earns interest income. The corporate segment is responsible for the overall investments operations of the Company excluding investments in rental properties. The corporate segment also includes all overhead costs. The digital asset mining segment earns revenue from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". All of the Company's revenues are recognised at a point in time. During 2020, the Company discontinued its real estate segment.

	Corporate	Merchant banking	Digital assets mining	Total
March 31, 2021				
Assets				
Canada	\$ -	\$ -	\$ 2,938,541	\$ 2,938,541
Non-current assets	-	-	2,938,541	2,938,541
December 31, 2020				
Assets				
Canada	-	-	371,817	371,817
Non-current assets	\$ -	\$ -	\$ 371,817	\$ 371,817

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17. Segmented information (continued)

Revenues	Three Months Ended March 31,	
	2021	2020
Merchant banking	\$ -	\$ 13,854
Real estate	-	630
Consulting and advisory	-	5,416
Digital assets mining	710,312	101,611
	710,312	121,511

18. Subsequent event

Subsequent to the three months ended March 31, 2021, the Company issued 3,250,000 Performance Warrants to Consultants and Directors of the Company. The Performance Warrants are exercisable at a price of \$0.81 per Warrant and expire 36 months after the issuance.

Subsequent to the three months ended March 31, 2021, holders exercised 700,000 warrants.

Subsequent to the three months ended March 31, 2021, 19,444 common shares were issued to settle debt.

Bluesky Digital Assets Corp.
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