Q1 2021

bluesky
DIGITAL ASSETS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

JUNE 10, 2021

www.blueskydigitalassets.com

BTC LISTED ON CSE™

BTCWF TRADED ON OTCQB

The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Bluesky Digital Assets Corp. ("Bluesky" or the "Corporation") and the financial performance for three months ended March 31, 2021 and 2020. This information in this MD&A is prepared as of June 10, 2021, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021, as well as the audited consolidated financial statements for the year ended December 31, 2020 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A, and specifically the "Overview and 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 Corporation's expectations, estimates and projections regarding future events.

Although the Corporation 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 Corporation's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks related to our business".

Company

Bluesky Digital Assets Corp, is building a high value digital currency enterprise. The Corporation currently mines Bitcoin and Ether and the Corporation is developing value-added technology services for the digital currency market, such as proprietary technology solutions. Offering a complete ecosystem of value-creation, the Corporation is targeting reinvesting appropriate portions of its digital currency mining profits back into its operations. A percentage of the profit will be invested in the development of a proprietary Artificial Intelligence ("AI") based technology. Overall, the Corporation takes an approach that enables the Corporation to scale, and respond to changing conditions, within the still-emerging Blockchain industry. The Corporation is poised to capture value in successive phases as this industry continues to scale.

The Corporation was incorporated under the laws of the Province of Ontario on June 1, 2006 and the Corporation's registered office is located at First Canadian Place, 100 King Street West, Suite 5700, Toronto, Ontario M5X 1C9. The Corporation's financial year end is December 31. The Corporation's common shares are listed and trade in Canada on the Canadian Securities Exchange ("CSE") under the trading symbol "BTC" and the Corporation's common shares trade in the United States on the OTC Markets QB Exchange ("OTCQB") under the trading symbol "BTCWF".

Overview and Outlook

In December of 2020 and continuing into January of 2021, the Corporation commenced and completed two equity raises where a combined total of $2,988,750 CDN in proceeds was raised via the issuance of 13,318,778 Units. With the proceeds received from the two equity raises, in January of 2021, the Management of the Corporation commenced and implemented an aggressive expansion programme with the purpose of further advancing and expanding the Corporation's active Digital Assets Mining and Software development operations. The Corporation proceeded to acquire approx. $2.7M CDN worth of Digital Assets Mining Rigs which consisted of a combination of ASIC and GPU miners.

In late January, the Corporation also formalized a strategic working relationship with Wedig Techsolutions Ltd. ("WDT") a well-established international R&D services provider, in which WDT became the primary Research and Development arm for the Corporation's advanced software development and applications product related efforts. These efforts will focus on initiatives for areas like Decentralized Finance or "DeFi", Stablecoin, and Artificial Intelligence based efforts. The Corporation is expanding its commitment into these areas of focus to better complement the Corporation's overall business with a diversified portfolio of solutions and offerings, in addition to its primary enterprise class active virtual crypto mining deployments.

To further increase the Corporation's diversification, and to minimize its dependence / reliance on one cryptocurrency, in February of 2021, the Corporation diversified its Digital Assets mining endeavors to include the mining of Ether which runs in parallel of and complements the Corporation's Bitcoin mining endeavors.

In late February, the Corporation received the first portion of the $2.7M CDN worth of Digital Assets Mining Rigs it had acquired in prior month. This first portion consisted of $500,000 CDN worth of mining hardware. The Corporation put these Digital Assets Mining Rigs into full mining production on February 22, 2021. The addition of the $500,000 CDN worth of equipment added an additional 30,000 mh/s of overall generic hashing power to the Corporation's Digital Assets Mining operations.

In January of 2021, the valuations of both Bitcoin and Ether began to both rapidly and significantly increase. This trend of rapid and significant appreciation of both Bitcoin and Ether continued for all of Q1 of 2021. As At January 1, 2021 the implied valuation / price of Ether was $929 CDN / $730 USD and As At March 31, 2021 the implied valuation / price of Ether was $2,409 CDN / $1,918 USD which represented an increase of 159% for the quarter.

Furthermore, As At January 1, 2021 implied valuation / price of Bitcoin was $37,384 CDN / $29,374 USD and As At March 31, 2021, the implied valuation / price of Bitcoin was $73,990 CDN / $58,919 USD which represented an increase of 98% for the quarter.

The increases in the valuations for both Ether and Bitcoin had a very significant effect on the incoming gross revenues the Corporation received from the Corporation's Digital Assets Mining operations. Gross revenue from the Corporation's Digital Assets Mining operations for Q1, 2021 amounted to $743,267 vs. $101,611 CDN which was achieved in Q1 of 2020. This represented an increase of 631% over the same period in Q1 of 2020.

The Corporation successfully mined and sold a grand total of $665,533 CDN worth of Bitcoin in all of fiscal 2020. The gross revenue results achieved in Q1 of 2021 superseded all of fiscal 2020 further justifying the Corporation's pivot from its old business model of "Merchant Banking" into its current business model of technology.

The Corporation plans to further expand its active Digital Assets Mining and Software development operations in the second quarter of this year. Furthermore, the Corporation plans on expanding the power capacity of its primary mining facility to better support future expansion endeavours.

In order to expedite these second quarter plans, the Corporation intends on commencing additional equity raises with the purposes of rapidly building scale.

Q1 Financial Information

The following table shows the results of operations for the three months ended March 31, 2021 compared to the same periods for the three years prior. All figures presented in this table are stated in CDN Dollars.

	Q1 2021	Q1 2020	Q1 2019	Q1 2018
Total revenues	743,267	121,511	254,224	302,335
Total Loss for the period	(1,263,233)	(371,735)	(223,722)	(184,590)
Earning / Loss per share from continuing operations	(0.04)	(0.02)	(0.00)	(0.01)
Total assets	5,711,988	2,340,362	7,874,117	8,071,818
Total liabilities	(635,082)	(641,879)	(3,301,284)	(3,418,028)

Revenue from continuing operations for the three months ended March 31, 2021 was $743,267 compared to $121,511 earned in the prior year.

From 2018 to 2021 revenue from continuing operations was categorized into three segments – Digital Assets Mining, Merchant banking (Interest), Advisory Services and Rental. The amounts of $743,267, $Nil, $Nil were earned in in Q1 of 2021 in each of those segments respectively as compared to $101,611, $13,854, $5,416 which were earned in in Q1 of 2020 in each of those segments, respectively.

From 2018 to 2020, the Corporation had one additional segment "Rental" which earned $107,170 in Q1 of 2020 and of which this segment was also discontinued in July of 2020. Management fully expects to see continued gains in revenues from its Digital Assets Mining segment and continued decline in revenues from the Merchant banking and Advisory Services segments in the immediate and long-term future as the Corporation focus was fully redirected to Digital Assets Mining effective Jan 1, 2020.

Quarterly results

The following table shows our results of operations for the last eight quarters. All figures presented in this table are stated in CDN Dollars.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Digital Assets Mining Revenue	710,312	182,054	198,264	182,500	101,611	37,200	42,792	14,464
Total Revenue	742,312	183,158	204,178	186,896	121,511	95,858	162,692	182,273
Net Income (Loss)	(1,263,233)	(870,093)	(198,234)	(191,476)	(371,735)	(1,946,278)	(1,809,243)	(693,501)
Income (Loss) per share	(0.04)	(0.05)	(0.01)	(0.01)	(0.02)	(0.20)	(0.19)	(0.08)
Cash	1,785,077	1,075,495	325,996	455,610	636,127	852,926	330,033	728,144

Results of Operations

The following table shows the results of operations for the three months ended March 31, 2021 compared to the same period last year. All figures presented in this table are stated in CDN Dollars.

	Q1 2021	Q1 2020
Revenue		
Digital assets mined	$ 710,312	$ 101,611
Interest	-	5,416
Advisory services	-	13,854
Rental	-	630
Cost of revenue		
Exchange fees	-	(1,820)
Site operating costs	(173,903)	(132,211)
Depreciation	(118,770)	(60,098)
	417,639	(72,618)
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	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 filling fees	26,257	10,693
Non-recoverable input tax credits	25,922	8,458
Amortization	8,264	12,040
Loss before other items	(1,697,198)	(303,197)
Unrealized (loss) on investments	164,816	(54,905)
Realized (loss) on investments	269,149	(41,954)
Impairment of financial instruments	-	(7,031)
Foreign exchange (loss) gain	-	20,068
Other income	-	15,284
Gain on sale of assets	-	-
Total loss and comprehensive loss for the period	$ (1,263,233)	$ (371,735)
Basic and diluted net loss per share		
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

Total revenues increased to $742,312 for the three months March 31, 2021 from $121,511 for three months March 31, 2020 which represented a year over year increase of 631.5% and was primarily driven by the success of the Corporation's Digital Assets Mining division. Total loss and comprehensive loss for the three months March 31, 2021 amounted to $(1,263,233) from $(371,735) for the three months March 31, 2020 which represented a increase of 240%. The major contributor to this increase was primarily due to an issuance of 1,625,000 Stock Options at a price of $0.60 per Stock Option which had a black sholes modeling value of $1,709,000. The Stock Options pricing was issued based on certain conditions for closing the Corporation's January equity raise. The Stock Option pricing was agreed to in December of 2020 and the issuance occurred on January 18, 2021. The Closing price of the Corporation's Common Shares closed at price of $0.86 CDN on January 18, 202

For the three months ended March 31, 2021

The following table shows revenues from continuing operations for the three months ended March 31, 2021 compared to the same period in the prior year. All figures presented in this table are stated in CDN Dollars. "INF" Denotes Infinity

	Q1 2021	Q1 2020		**Increase / (decrease) in $**	**Increase / (decrease) in %**
INCOME					
Digital Assets Mined	710,312	101,611		**608,701**	599%
Gain on sale of digital currencies	32,955	-		32,955	INF%
Interest	-	13,854		(13,854)	-(100%)
Advisory Services	-	5,416		(5,416)	-(100%)
Rental	-	630		(630)	-(100%)
TOTAL INCOME	743,267	121,511		621,756	511.6%

The Corporation had a 631% increase in its digital assets mining revenue for the three months ended March 31, 2021 compared to the same period in 2020.

In September 2019, the Company change its business objectives from a merchant banking company to focus on its digital assets mining and software development operations. As a result, revenue from advisory services, interest and rental have all materially decreased from the three months ended March 31, 2021 to the three months ended March 31, 2020. The Corporation fully expects that there will be little to no revenue generated from its interest and rental segments for the remainder of 2021.

The following table shows operating costs for the three months ended March 31, 2021 compared the prior year. All figures presented in this table are stated in CDN Dollars. "INF" Denotes Infinity.

	Q1 2021	Q1 2020		**Increase / (decrease) in $**	**Increase / (decrease) in %**
Operating expenses					
Management fees	170,000	137,459		32,541	23.6%
Share-based payments	1,709,000	-		1,709,000	INF
Loan interest and fees	2,204	13,370		(11,166)	-(83.5%)
Consulting and other professional fees	9,361	-		9,361	INF
General, office and miscellaneous	8,893	20,522		(11,629)	-(56.6%)
Marketing and investor relations	136,513	15,276		121,237	793%
Travel and accommodations	2,058	2,761		(703)	-(25.5%)
Legal and audit	30,233	10,000		20,233	202%
Transfer agent and filling fees	26,257	10,693		15,564	145%
Non-recoverable input tax credits	25,922	8,458		17,464	206.5%
Amortization	8,264	12,040		(3,776)	-(31.3%)
Total Operating Expenses Before Other Items	(2,128,705)	(203,579)		1,898,126	945.6%

Total operating expenses for the three months ended March 31, 2021 was -($2,128,705) compared to -($203,579) for the same period in the prior year which represents an increase of 945.6%. This increase was primarily due to an issuance of 1,625,000 Stock Option at a price of $0.60 per Stock Option which had a black sholes modeling value of $1,709,000 The Stock Option pricing was issued based on certain conditions for closing the Corporation's January equity raise. The Stock Option pricing was agreed to in December of 2020 and the issuance occurred on January 18, 2021. The Closing price of the Corporation's Common Shares closed at price of $0.86 CDN on January 18, 2021.

Liquidity and Capital Resources

The following table summarizes cash flows from the three months ended March 31, 2021 compared the same period in the prior year. All figures presented in this table are stated in CDN Dollars.

	Q1 2021	**Q1 2020**
Cash (used in) operating activities	(29,927)	(102,211)
Cash (used in) provided by financing activities	3,105,854	(33,575)
Cash (used in) provided by investing activities	(2,366,345)	(81,013)
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

As At March 31, 2021, The Corporation had total current assets of $5,711,988 to meet its current liabilities of $635,082.

The Corporation plans to further expand its active Digital Assets Mining and Software development operations in the second quarter of this year. Furthermore, the Corporation plans on expanding the power capacity of its primary mining facility to better support future expansion endeavours.

In order to expedite these second quarter plans, the Corporation intends on commencing additional equity raises with the purposes of rapidly building scale. The ability of the Corporation to arrange such financing will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Corporation may change and shareholders may suffer dilution. If adequate financing is not available, the Corporation 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 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.

Changes in Accounting Policies and Future Pronouncements

The Corporation 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 Corporation 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 Corporation.

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 March 31, 2021. All figures presented in this table are stated in CDN Dollars.

	Assets & liabilities at amortized cost
Cash	1,785,077
Accounts and other receivables	28,398
Investments	614,115
Accounts payable & accrued liabilities	403,914
Loans payable	118,945

Liquidity Risk

Liquidity risk is the risk that the Corporation is not able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2021, the Corporation's current liabilities totaled $635,082 (2020 - $385,885) and cash totaled $1,785,077 (2020 - $636,127). The Corporation generates cash flow from Digital Assets Mining operations. The Corporation 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 Corporation will be able to continue to meet its current obligations.

Currency Risk

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

Contractual Obligations and Commitments

The Corporation 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 $ 388,320 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 Corporation 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 Corporation 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 Corporation 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 Corporation'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 Corporation'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 Corporation 's financial instruments, measured at fair value in the consolidated statements of financial position as at March 31, 2021 and 2020. All figures presented in this table are stated in CDN Dollars.

Investments, fair value	**Q1 2021**	**Q1 2020**
Publicly traded investments	614,115	240,556
Private investments	-	183,334
Totals	614,115	423,890

Outstanding share data

As at March 31, 2021, the Corporation had 35,897,848 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 Corporation has 13,932,861 Common Share Purchase Warrants outstanding priced at between $0.15 and $0.90 and 2,462,500 Stock Options entitling the holder to acquire an additional Common Share by paying $0.15 to $1.44 per Common Share.

As at June 10, 2021, the Corporation had 36,671,292 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 Corporation has 20,243,092 Common Share Purchase warrants outstanding priced at between $0.15 and $3.00 and 2,775,835 Stock Options entitling the holder to acquire an additional Common Share by paying $0.15 to $1.44 per Common Share

Transactions with Related Parties

The Corporation for the period ended did not enter into any transaction in the ordinary course of business with related parties that are not subsidiaries of the Corporation.

Compensation of key management personnel of the Corporation

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

	Q1 2021	Q1 2021
Short-term benefits	108,500	521,843
Share-based payments	Nil	111,858

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

Off Balance Sheet Arrangements

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

Risks Related to Our Business

The Corporation has a limited operating history, it's financial position is not robust, and the Corporation lacks consistent profitable operations to date. The Corporation 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 Corporation changed its business to "Digital Assets Mining" from "Merchant Banking". The timeframe that the Corporation has been in the Digital Assets Mining space is very short compared to its competitors. The Corporation's limited operating history in Digital Assets Mining also makes it difficult to evaluate the Corporation's business and prospects, and there is no assurance that the business of the Corporation will grow or that it will become profitable. Because of the Corporation's limited operating history in Digital Assets Mining it is difficult to extrapolate any meaningful projections about the Corporation's future. The Corporation's competitors are significantly better funded than the Corporation is. This could prove detrimental in that the Corporation may not have the funds to attract build the business. 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, 2020, the Corporation realized a net loss of $1,631,538 compared with a net loss of $4,672,744 for the year ended December 31, 2019. As of December 31, 2020, the Corporation had a working capital of $1,184,104 and total assets of $2,018,290. For the Three Months Ended March 31, 2021 had Net loss for the period of $1,263,233. The Corporation had $1,785,077 in cash and total assets of $5,711,988 for the Three Months Ended March 31, 2021. There are no assurances that the Corporation will be able to achieve a level of revenue 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, the Corporation 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 Corporation 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 the Corporation may be forced to discontinue operations, which would cause investors to lose their entire investment.

Bitcoin and Ethereum Network Risk

The open-source structure of the Bitcoin and Ethereum and any other cryptocurrency network protocol means that the core developers of the networks and other contributors are generally not directly compensated for their contributions in maintaining and developing the network protocol. A failure to properly monitor and upgrade the any of the network protocols could damage the 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 global political and economic conditions. The profitability of the Corporation is directly related to the current and future market price of Bitcoin and Ethereum; in addition, the Corporation may not be able liquidate its inventory of digital assets at its desired price if required. A rapid decline in the market price for Bitcoin or Ethereum or any other cryptocurrency could negatively impact the Corporation's future operations. The Corporation has not hedged the conversion of any of its sales of Bitcoin or Ethereum. Bitcoin and Ethereum both have a limited history and the fair value historically has been volatile. Historical performance of Bitcoin and Ethereum is not indicative of their future price performance.

Bitcoin Halving Risk

The current global bitcoin network rewards miners 6.25 bitcoin per block, which is approximately 900 bitcoin per day. The next halving is expected to occur at some point in the year 2024. This halving may have a potential impact on the Corporation's profitability at the reward level of 3.125 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 Corporation 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 Corporation to maintain profitability. Nevertheless, there is a risk that a future halving will render the Corporation unprofitable and unable to continue as a going concern.

Pandemic and COVID-19

The Corporation cautions that current global uncertainty with respect to the spread of the COVID-19 virus ("COVID19") and its effect on the broader global economy may have a significant negative effect on the Corporation. While the precise impact of the COVID-19 virus on the Corporation 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 the Corporations facilities, results of operations and other factors relevant to the Corporation. 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 Corporation'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 Corporation faces intense competition for these professionals from its competitors, customers and other companies throughout the industry. Any failure on the Corporation's part to hire, train and retain a sufficient number of qualified professionals could impair the business of the Corporation.

Need for financing in order to grow the business

From time to time, in order to expand operations the Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation.

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

The Corporation's 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 Corporation 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 Corporation 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 Corporation 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.

Regulatory and compliance issues with third party entities

The Ontario Securities Commission (OSC) has been notifying crypto asset trading platforms that currently offer trading in derivatives or securities to persons or companies located in the Province of Ontario, that they must bring their operations into compliance with Ontario securities law or face potential regulatory action. Because of this, the OSC has the authority to halt or block the operations of platforms operating inside the jurisdiction of Ontario at anytime the OSC deems fit. Although unlikely, it is possible that a trading platform account the Corporation holds its digital assets in with the purposes of converting the digital assets into fiat currencies (Canadian Dollars), could be subject to being frozen, should a regulatory body from any State or Provincial jurisdiction enforce legal action and halt the platform the Corporation is using. Furthermore, due to the ever-evolving sentiment of this industry space from risk to acceptance, it is possible that Canadian financial institutions, which include banks, credit unions, trust companies and merchant banks may elect not to allow entities that are involved in this industry space to transact with them. Any such action could result in any of the Corporation's banking accounts to be frozen for an unspecified amount of time which could have a negative effect on the Corporation's operating capabilities.

Banning of the industry by the Provincial or Federal Governments of Canada or the United States of America

The Government of China recently banned financial institutions and payment companies from providing services related to cryptocurrency transactions, and warned investors against speculative crypto trading. Under the ban, such institutions, including banks and online payments channels, must not offer clients any service involving cryptocurrency, such as registration, trading, clearing and settlement. China has also banned crypto exchanges and initial coin offerings but has not barred individuals from holding cryptocurrencies. The institutions in China must not provide saving, trust or pledging services of cryptocurrency, nor issue financial product related to cryptocurrency. The Canadian and US Governments could invoke such moves and / or actions, which would adversely affect the value of cryptocurrencies and possibly, such actions could force the Corporation to halt all business operations that involve the mining for crypto currencies, which possibly could severely impair the Corporation's ability to continue.

Banning of power consumption to entities in the blockchain / cryptocurrency space

It is possible that Hydro utility providers could elect to ban providing electricity to the Corporation's active operations and it is possible for a Hydro utility provider to renege on its contractual obligations between itself and the Corporation. Should this occur, it could severely impact the Corporation's ability to operate and possibly the Corporation's ability to continue in this industry space. A Hydro ban could be initiated by the Hydro provider themselves or either a Provincial, State or Federal Government could mandate that Hydro utility providers cannot service entities in this industry space.

<u>Additional Information</u>

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

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