Q1 2023

bluesky
DIGITAL ASSETS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2023

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MAY 30, 2023

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, 2023	As at December 31, 2022
ASSETS		
Current assets		
Cash	**$ 55,331**	$ 231,711
Other receivables (note 4)	**6,763**	6,763
Prepaid expenses	**375,931**	234,862
Investments (note 10)	**46,694**	49,357
Digital currencies (note 6)	**1,474**	988
Total current assets	**486,193**	523,681
Property, plant and equipment (note 7)	**1,059,007**	1,280,452
Right of use assets (note 8)	**146,319**	161,485
Total assets	**$ 1,691,519**	$ 1,965,618
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	**$ 991,709**	$ 981,267
Lease liability (note 9)	**65,800**	64,500
Loans payable (note 13)	**60,000**	60,000
Total current liabilities	**1,117,509**	1,105,767
Non-current liabilities		
Lease liability (note 9)	**88,867**	105,813
Warrant liability (note 12)	**401,299**	162,156
Loans payable (note 13)	**33,198**	34,962
Total liabilities	**1,640,873**	1,408,698
Shareholders' equity		
Share capital (note 14)	**23,533,666**	23,043,081
Contributed surplus (note 16)	**5,686,009**	5,686,009
Warrants	**3,957,626**	3,957,626
Digital currency revaluation reserve	**80,931**	80,445
Deficit	**(33,207,586)**	(32,210,241)
Total shareholders' equity	**50,646**	556,920
Total liabilities and shareholders' equity	**$ 1,691,519**	$ 1,965,618

Description of business (note 1)
Subsequent event (note 20)

"Frank Kordy", Director

"Ben Gelfand", Director

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue		
Digital currency mined (note 6)	**$ -**	$ 580,583
Cost of revenue		
Site operating costs	**(58,707)**	(398,823)
Depreciation	**(18,397)**	(616,255)
Gross profit (loss)	**(77,104)**	(434,495)
Operating expenses		
General and administration	**550,312**	365,268
Loss (gain) on sale of digital currencies (note 6)	**-**	25,085
Share-based payments (notes 14 and 15)	**-**	337,189
Total operating expenses	**550,312**	727,542
Operating loss	**(627,416)**	(1,162,037)
Loss on investments	**(2,637)**	(56,259)
Foreign exchange (loss) gain	**(784)**	(2,721)
Accretion	**(22,845)**	-
(Loss) on disposal of assets	**(53,904)**	-
(Loss) on settlement of payables (note 14)	**(50,616)**	-
Gain on revaluation of warrant liability (note 12)	**(239,143)**	634,780
Total loss for the period	**$ (997,345)**	$ (586,237)
Other comprehensive income		
Items that will not be reclassified subsequently to income		
Revaluation of digital currencies	**486**	(147,890)
Other comprehensive income for the period	**486**	(147,890)
Total loss and comprehensive loss for the period	**$ (996,859)**	$ (734,127)
Basic and diluted net loss per share (note 18)		
Basic and diluted net loss per share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	**77,516,376**	51,590,517

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

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating activities		
Net loss for the period	**$ (997,345)**	$ (586,237)
Adjustments in non-cash operating items:		
Depreciation	**58,707**	399,079
Digital currencies	**-**	(443,838)
Common shares issued for services and compensation (note 14)	**67,800**	-
Share-based payments	**-**	337,189
Gain on revaluation of warrant liability	**239,143**	(634,780)
Loss on investments	**2,637**	56,259
Loss on disposal of assets	**53,904**	-
Loss (gain) on sale of digital currencies	**-**	25,085
Interest on loan	**1,470**	-
Accretion of interest	**26,273**	3,325
Unrealised foreign exchange (gain)	**-**	2,723
Loss (gain) on settlement of payables	**50,616**	-
Changes in working capital items and digital currencies:		
Other receivables	**-**	121,900
Prepaid expenses	**(28,374)**	(402,466)
Accounts payable and accrued liabilities	**173,987**	547,021
Net cash used in operating activities	**(351,182)**	(574,740)
Investing activities		
Proceeds from sale equipment	**124,000**	-
Purchase of equipments	**-**	(1,058,124)
Net cash provided by (used in) investing activity	**124,000**	(1,058,124)
Financing activities		
Proceeds from issuance of common shares (net of issuance cost paid of $107,300 for 2022	**-**	2,201,450
Lease payments paid	**(18,971)**	(18,972)
Proceeds from loans / (repayments of loans payable)	**69,749**	-
Net cash provided by financing activities	**50,778**	2,182,478
Net change in cash	**(176,404)**	549,614
Cash, beginning of period	**231,711**	854,233
Exchange differences on cash	**24**	(1,952)
Cash, end of period	**$ 55,331**	$ 1,401,895

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

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

	Share Capital								
	Preferred shares $	Preferred shares to be registered $	Common shares $	Total share capital $	Contributed Surplus $	Warrants $	Digital currency revaluation reserve $	Deficit $	Total $
Balance, December 31, 2021	**2,054,685**	**(353,057)**	**18,909,602**	**20,611,230**	**5,547,826**	**3,355,097**	**181,613**	**(24,812,421)**	**4,883,345**
Issuance of common shares (net of share issue costs of $339,095)	-	-	1,911,030	1,911,030	-	290,420	-	-	2,201,450
Share-based compensation	-	-	-	-	-	337,189	-	-	337,189
Revaluation of digital currency net of tax	-	-	-	-	-	-	(147,890)	-	(147,890)
Net loss for the period	-	-	-	-	-	-	-	(586,237)	(586,237)
Balance, March 31, 2022	**2,054,685**	**(353,057)**	**20,820,632**	**22,522,260**	**5,547,826**	**3,982,706**	**33,723**	**(25,398,658)**	**6,687,857**
Balance, December 31, 2022	**2,054,685**	**(353,057)**	**21,341,453**	**23,043,081**	**5,686,009**	**3,957,626**	**80,445**	**(32,210,241)**	**556,920**
Shares issued for services	-	-	67,800	67,800	-	-	-	-	67,800
Shares issued for debt and financing	-	-	422,785	422,785	-	-	-	-	422,785
Transactions with owners	**2,054,685**	**(353,057)**	**21,832,038**	**23,533,666**	**5,686,009**	**3,957,626**	**80,445**	**(32,210,241)**	**1,047,505**
Revaluation of digital currency net of tax	-	-	-	-	-	-	486	-	486
Net loss for the period	-	-	-	-	-	-	-	(997,345)	(997,345)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**486**	**(997,345)**	**(996,859)**
Balance, March 31, 2023	**2,054,685**	**(353,057)**	**21,832,038**	**23,533,666**	**5,686,009**	**3,957,626**	**80,931**	**(33,207,586)**	**50,646**

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

1. Description of business, going concern

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

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.

Going concern

The Company incurred a net loss during the three months ended March 31, 2023 of $997,345 (2022 - $586,237) and had an accumulated deficit of $33,207,586 (December 31, 2022 - $32,210,241). As at March 31, 2023, the Company had a working capital defecit of $631,316 (December 31, 2022 - working capital defecit of $582,086). These conditions indicate material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

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.

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.

2. Basis of presentation

Statement of compliance to international financial reporting standards

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 International Accounting Standards Boards (“IASB”) and interpretations issued by IFRIC.

2. Basis of presentation (continued)

Statement of compliance to international financial reporting standards (continued)

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS's issued and outstanding as of May 30, 2023, 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, 2022. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the period ending December 31, 2023 could result in restatement of these unaudited condensed consolidated interim financial statements.

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.

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
Bluesky Defi Inc.(formerly 63 Wellington Street Inc.) (2)	Canada	Inactive
Bluesky Intelligence Inc. (formerly 1Balfour Place Inc.) (2)	Canada	Inactive

(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.

(Expressed in Canadian Dollars)

3. Significant accounting policies

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

At the date of authorization of these unaudited condensed consolidated interim financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the International Accounting Standards Boards ("IASB"). None of these standards or amendments to existing standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's unaudited condensed consolidated interim financial statements.

4. Other receivables

		March 31, 2023		December 31, 2022
Subscription receipts and other receivables	**$**	**6,763**	$	6,763

5. Notes receivable

		March 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**-**	$	228,526
Repayments and settlements [ii]		**-**		(135,037)
		-		93,489
Less: provision for notes receivables [i] [ii]		**-**		(93,489)
Balance, end of year	**$**	**-**	**$**	**-**

[i] During the year ended December 31, 2018, an impairment loss of $228,525 was recorded on this loan and as at December 31, 2022, this loan is carried at $nil, net of the provision.

[ii] During the year ended December 31, 2022, the Company reach an agreement with Worksport Ltd. (formerly Franchise Holdings International Inc.) in the settlement of the outstanding amounts totalling $228,525 and subsequently reversed the previous recorded impairment of $228,525. During the year ended December 31, 2022, the Company recorded and impairment of $93,489 on the outstanding amount.

(Expressed in Canadian Dollars)

6. Digital currencies

The Company's holdings of digital currencies consist of the following:

	As at March 31, 2023	As at December 31, 2022
Ethereum	**$ 1,474**	$ 988
	$ 1,474	$ 988

The continuity of digital currencies was as follows:

	Number of Bitcoin	Amount	Number of Ethereum	Amount	Total
Balance, December 31, 2021	**17**	**$ 967,166**	**310**	**$ 1,440,276**	**$ 2,407,442**
Currency mined	12	508,979	320	906,225	1,415,204
Currency traded for cash	(29)	(1,184,893)	(629)	(1,965,958)	(3,150,851)
Loss on sale of digital currencies	-	(295,393)	-	(237,770)	(533,163)
Revaluation adjustment	-	4,141	-	(141,785)	(137,644)
Balance, December 31, 2022	**-**	**-**	**1**	**988**	**988**
Revaluation adjustment (1)	-	-	-	486	486
Balance, March 31, 2023	**-**	**$ -**	**1**	**$ 1,474**	**$ 1,474**

(1) Digital assets held are revalued each reporting period based on the fair market value of the price of Ethereum on the reporting date.

(Expressed in Canadian Dollars)

7. Property, plant and equipment

Cost	Data miners	Equipment	Computers	Total
Balance, December 31, 2021	**$ 5,549,341**	**$ 865,928**	**$ 10,908**	**$ 6,426,177**
Additions	2,387,108	59,446	1,864	2,448,418
Balance, December 31, 2022	**7,936,449**	**925,374**	**12,772**	**8,874,595**
Disposals	(572,702)	-	-	(572,702)
Balance, March 31, 2023	**$ 7,363,747**	**$ 925,374**	**$ 12,772**	**$ 8,301,893**

Accumulated depreciation	Data miners	Equipment	Computers	Total
Balance, December 31, 2021	**$(1,621,136)**	**$ (86,109)**	**$ (10,908)**	**$(1,718,153)**
Depreciation for the year	(1,603,398)	(152,681)	(1,024)	(1,757,103)
Impairment	(4,118,887)	-	-	(4,118,887)
Balance, December 31, 2022	(7,343,421)	(238,790)	(11,932)	(7,594,143)
Depreciation for the period	-	(43,541)	-	(43,541)
Disposals	394,798	-	-	394,798
Balance, March 31, 2023	**$(6,948,623)**	**$ (282,331)**	**$ (11,932)**	**$(7,242,886)**

Carrying amount	Data miners	Equipment	Computers	Total
Balance, December 31, 2022	**$ 593,028**	**$ 686,584**	**$ 840**	**$ 1,280,452**
Balance, March 31, 2023	**$ 415,124**	**$ 643,043**	**$ 840**	**$ 1,059,007**

As a result of the decline in the Bitcoin price during the year, the Company performed an evaluation of the recoverable amount of its miners as at December 31, 2022. The recoverable amount of the data miners was determined based on the higher of the value in the use and fair value less costs of disposal calculation, based on specific judgement and assumptions. The fair value less costs to sell determined the recoverable amount. As a result, the Company recorded an impairment charge over its miners of $4,118,887. The impairment was based on an assessment of the performance of the data miners in relation to prevailing replacement costs and the downturn of the prices of the Company's digital currencies and the fair value of the data miners was based on quote prices of global ASIC marketplace (level 2)

8. Right-of-use assets

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

	As at March 31, 2023	As at December 31, 2022
Balance, beginning of period	**$ 161,485**	$ 223,859
Depreciation	**(15,166)**	(62,374)
Balance, end of period	**$ 146,319**	$ 161,485

(Expressed in Canadian Dollars)

9. Lease liabilities

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

	Buildings
Balance, December 31, 2021	**$ 226,974**
Interest expense	19,223
Lease payments	(75,884)
Balance, December 31, 2022	**170,313**
Interest expense	3,325
Lease payments	(18,971)
Balance, March 31, 2023	**$ 154,667**

	As at March 31, 2023	As at December 31, 2022
Short-term lease expense	**$ 65,800**	$ 64,500
Long-term leases liabilities	**88,867**	105,813
	$ 154,667	$ 170,313

	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Buildings	$ 65,800	$ 88,867	$ -	$ -	$ 154,667
Total	**$ 65,800**	**$ 88,867**	**$ -**	**$ -**	**$ 154,667**

As at March 31, 2023, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is $170,738.

10. Investments

	March 31, 2023		December 31, 2022	
	Number of shares	Estimated fair market value	Number of shares	Estimated fair market value
Worksport Ltd.	13,561	25,692	13,561	18,275
Cheetah Canyon Resources Corp.	1,698,850	-	1,698,850	-
Chess Supersite Corp	300,000	1,299	300,000	1,625
Eastwest Bioscience Inc.	658,182	16,455	658,182	16,455
Astro Airspace Ltd	500,000	-	500,000	-
Hemp Inc.	24,000,000	3,248	24,000,000	13,002
Total investments		**$ 46,694**		**$ 49,357**
Classification				
Short-term investments		46,694		49,357
Total investments		**$ 46,694**		**$ 49,357**

(Expressed in Canadian Dollars)

11. Accounts payable and accrued liabilities

	As at March 31, 2023	As at December 31, 2022
Trade and other payables	**$ 106,191**	$ 3,121
Accrued liabilities	**873,188**	965,816
Other payables	**12,330**	12,330
Total	**$ 991,709**	$ 981,267

12. Warrant liability

The Company has completed the following issuances of warrants:	
Closing date	October 13, 2021
Warrants issued	10,077,522
Warrants exercised	$ 0.430
Fair value of warrants issued	$ 0.270
Warrant term	60 months
Warrant valuation assumptions	
Valuation model	Black-Scholes
Weighted average risk free interest rate	1.11 %
Estimated common share weighted average price volatility (i)	174.80 %
Expected dividend yield	nil %
Estimated weighted average life in years	5.00

(i) Volatility was based upon comparable trading entities

Details related to the warrant liability are summarized below.

	Number of warrants	Amount
Balance, December 31, 2021	**10,077,882**	$ 2,541,235
Fair value adjustment	**-**	(2,379,079)
Balance, December 31, 2022	**10,077,882**	$ 162,156
Fair value adjustment	**-**	239,143
Balance, March 31, 2023	**10,077,882**	$ 401,299

The Company recorded a non-cash loss on the revaluation of warrant liability of $(239,143) during the three months ended March 31, 2023 (three months ended March 31, 2022 - gain of $634,780).

(Expressed in Canadian Dollars)

12. Warrant liability (continued)

The Black-Scholes model and the inputs used in determining the values of the warrants as at March 31, 2023 and December 31, 2022 are as follows:

	As at March 31, 2023	As at December 31, 2022
Common share market price	**$ 0.055**	$ 0.025
Weighted average risk free interest rate	**3.65** %	3.55 %
Estimated common share weighted average price volatility (i)	**159.21** %	160.71 %
Expected dividend yield	**nil** %	nil
Estimated weighted average life in years	**3.54**	3.79

(i) Volatility was based upon comparable trading entities

13. Loans payable

	March 31, 2023	December 31, 2022
Balance, beginning of year	**$ 94,962**	$ 70,000
Proceeds from loans payable (i)	**75,000**	50,000
Equity component of convertible loans payable (i)	**(22,557)**	(15,038)
Interest on loan	**1,469**	-
Repayment - other loans (note 14)	**(78,625)**	-
Accretion	**22,949**	-
Forgiveness as per CEBA loan agreement	**-**	(10,000)
Balance, end of period	**$ 93,198**	**$ 94,962**

Classification:

	March 31, 2023	December 31, 2022
Short-term loans payable	**$ 60,000**	$ 60,000
Long-term loans payable	**33,198**	34,962
Total loans payable	**$ 93,198**	$ 94,962

Canada Emergency Business Account (CEBA) loan

During the year ended December 31, 2020, the Company received in Canada Emergency Business Account (CEBA), funded by the Federal Government.

During the year ended December 31, 2021 the Company repaid $28,945 in CEBA loan, funded by the Federal Government. The interest for 3 years and is guaranteed by the Canadian government. Up to 25% of the loan ($10,000) will be forgiven if repaid in full by December 31, 2023. If the Company has not repaid the loan before December 31, 2023, the loan will be automatically renewed until December 31, 2025 at an interest rate of 5%, and the Company will not be able to benefit from the grant of $10,000.

13. Loans payable (continued)

i) Loans payable

On December 12, 2022, the Company borrowed $50,000 from two unrelated party. The loans bears interest of 15% per annum and has a maturity of December 12, 2025 and is unsecured. The Company has the option to pay off the loan by issuing common stock based on the current market of the stock, but not the interest. The Company agreed to pay interest of $312.50 per month.

Upon the receipt of the loan amount, the Company issue 1,666,666 common shares (Note 15). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of $15,038 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of $34,962 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the three months ended March 31, 2023, the Company settled the loans in cash of $1,750 and by isssuing 814,585 shares for the remaining amount of $24,438.

On January 25, 2023, the Company borrowed $50,000 from two unrelated party. The loans bears interest of 15% per annum and has a maturity of January 25, 2026 and is unsecured. The Company has the option to pay off the loan by issuing common stock based on the current market of the stock, but not the interest. The Company agreed to pay interest of $312.50 per month.

Upon the receipt of the loan amount, the Company issue 1,666,666 common shares (Note 15). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of $15,038 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of $34,962 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the the three months ended March 31, 2023, the Company repaid $1,750 in cash on the loans and settled one of the loans in cash of $875 and by isssuing 814,585 shares for the remaining amount of $24,438.

On March 15, 2023, the Company borrowed $25,000 from an unrelated party. The loans bears interest of 15% per annum and has a maturity of March 15, 2026 and is unsecured. The Company has the option to pay off the loan by issuing common stock based on the current market of the stock, but not the interest. The Company agreed to pay interest of $312.50 per month.

Upon the receipt of the loan amount, the Company issue 833,333 common shares (Note 15). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of $7,519 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of $17,481 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the the three months ended March 31, 2023, the Company repaid $875 in cash on the loan.

14. Share capital

As at March 31, 2023, 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.

(Expressed in Canadian Dollars)

14. Share capital (continued)

a) Preferred shares

Class A	Number of preferred shares	Amount
Balance, December 31, 2021, March 31, 2022, December 31, 2022 and March 31, 2023	**493,020**	**$ 2,042,185**

<u>Preferred shares to be registered</u>

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 5). 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, 2023.

Class B	Number of common shares	Amount
Balance, December 31, 2021, March 31, 2022, December 31, 2022 and March 31, 2023	**1,250**	**$ 12,500**

b) Common shares

	Number of common shares	Amount
Balance, December 31, 2021	**49,956,814**	**$ 18,909,602**
Common shares issued (i)	9,235,000	2,308,750
Value of warrants granted (i)	-	(58,625)
Cost of issue (i)	-	(339,095)
Balance, March 31, 2022	**59,191,814**	**$ 20,820,632**
Balance, December 31, 2022	67,258,480	$ 21,341,453
Common shares issued for debt ((ii) and note 13(i))	17,557,884	490,585
Balance, March 31, 2023	**84,816,364**	**$ 21,832,038**

(Expressed in Canadian Dollars)

14. Share capital (continued)

b) Common shares (continued)

(i) Common shares issued - 2022

In January 2022, the Company closed closed various tranches of a non-brokered private placement offering for 9,235,000 Units for gross proceeds of $2,385,750. 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 $0.40 per Common Share for a period of 36 months from the closing of the financing. The fair value of 9,235,000 warrants was estimated as $58,625. Volatility was based upon comparable trading entities.

The Company incurred total of $310,312 ($107,300 in cash and $203,012 in warrants to brokers) of share issue costs in relation to the common shares issued above. The Company issued 971,600 warrants to brokers. Each Warrant entitling the holder thereof the ability to purchase one additional Common Share of the Company at an exercise price of $0.40 using the Black-Scholes option pricing model with the following assumptions: expected volatility between 170% - 171%; a risk-free interest rate between 1.16% - 1.43%; share price at the date of the grant was between $0.025 to $0.255; an expected dividend yield of Nil%; and 36 months expected term. Volatility was based upon comparable trading entities.

(ii) Common shares issued for debt - 2023

The Company issued 10,354,130 common shares, as per agreements for the total accounts payable for services and compensation for the total debt $276,238 due to related parties. The shares closing price on the date of issuance was $0.03 per share. Therefore, the fair value of the transaction recorded in equity is $310,624 and a loss on shares of $34,386 was recorded in the unaudited condensed consolidated interim statements of loss.

The Company issued 2,443,755 common shares, for settlement of $73,375 as per loan agreements (note 13(i)). The shares closing price on the date of issuance was $0.03 to $0.04 per share. Therefore, the fair value of the transaction recorded in equity is $89,605 and a loss on shares of $16,230 was recorded in the unaudited condensed consolidated interim statements of loss.

15. Warrant reserve

	Number of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2021	**19,299,712**	**$ 3,355,097**	**$ 0.40**
Issued (notes 14 and 15(i))	11,706,600	627,609	0.38
Balance, March 31, 2022	**31,006,312**	**$ 3,982,706**	**$ 0.48**
Balance, December 31, 2022 and March 31, 2023	**31,165,479**	**$ 3,957,626**	**$ 0.36**

(i) On January 13, 2022, the Company granted 2,000,000 bonus warrants to officers and consultants at an exercise price of $0.24 for a period of 3 years from the date of issuance. The estimated fair value of the warrants at the grant date was $405,661 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model were as follows: dividend yield 0%, expected annual volatility of 171%, risk free rate of return of 1.21% and an expected life of 3 years. Share price at the date of the grant was $0.23. Volatility was based upon comparable trading entities. On February 22, 2022, the warrants were repriced to $0.17 and on December 21, 2022, the warrants were repriced to $0.035.

(Expressed in Canadian Dollars)

15. Warrants reserve (continued)

The following table reflects the warrants issued and outstanding as of March 31, 2023:

Expiry date	Number of warrants	Grant date fair value	Exercise price
December 4, 2023	7,352,778	$ 319,643	$ 0.150
January 15, 2024	4,459,120	78,188	1.000
March 11, 2024	376,667	-	0.900
March 11, 2024	128,000	37,738	2.000
April 6, 2024 (1)	3,250,000	2,456,524	0.035
April 8, 2024	278,112	177,994	1.500
December 30, 2024	2,308,000	-	0.400
January 7, 2025	5,175,600	183,492	0.400
January 10, 2025	1,000,000	10,000	0.400
January 11, 2025	2,020,000	-	0.400
January 11, 2025 (2)	2,000,000	405,661	0.035
January 18, 2025	1,903,000	63,246	0.400
February 1, 2025	108,000	4,900	0.400
September 29, 2026	806,202	220,240	0.403
	31,165,479	**$ 3,957,626**	**$ 0.36**

(1) On December 21, 2022, the warrant were repriced to $0.035 and the change in the incremental value of the options was $35,693

(2) On February 22, 2022, the warrants were repriced to $0.17 and on December 21, 2022, the warrants were repriced to $0.035 and there is no change in the incremental value of the warrants.

16. 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.

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.

(Expressed in Canadian Dollars)

16. Contributed surplus (continued)

a) Shared-based compensation (continued)

	Number of stock options	Fair value of stock options	Weighted average exercise price
Balance, December 31, 2021, and March 31, 2022	**4,859,166**	**$ 2,615,403**	**$ 0.33**
Balance, December 31, 2022 and March 31, 2023	**4,859,166**	**$ 2,648,042**	**$ 0.33**

The following table reflects the actual stock options issued and outstanding as of March 31, 2023:

Expiry date	Exercise price ($)	Estimated fair value at grant date	Number of options outstanding and exercisable	Fair value price ($)	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free interest rate
November 20, 2023	0.250	37,000	300,000	0.12	197%	3	0%	0.30%
January 4, 2024	0.600	365,000	600,000	0.63	201%	3	0%	0.33%
January 18, 2024	0.600	83,000	100,000	0.86	200%	3	0%	0.20%
January 18, 2024 (1)(2)	0.035	1,286,888	1,525,000	0.86	200%	3	0%	0.20%
July 6, 2024	0.500	165,000	500,000	0.45	199%	3	0%	0.66%
July 6, 2024 (1)(2))	0.035	546,751	1,600,000	0.45	199%	3	0%	0.66%
September 4, 2024	0.600	38,000	83,333	0.46	188%	5	0%	1.85%
October 18, 2024	0.150	12,743	63,333	0.20	228%	3.9	0%	0.38%
May 5, 2026	1.440	98,160	70,833	1.39	143%	10	0%	0.98%
June 19, 2027	1.200	15,500	16,667	0.93	131%	10	0%	1.54%
	$	2,648,042	4,859,166					

(1) On February 22, 2022, the options were repriced to $0.17 and on December 21, 2022, the option were repriced to $0.035 and the change in the incremental value of the options was $14,888

(2) On December 22, 2022, the options were repriced to $0.035 and the change in the incremental value of the options was $17,751.

Expected volatility was based upon comparable trading entities.

(Expressed in Canadian Dollars)

17. General and administrative

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Management fees (note 19)	**$ 146,424**	$ 133,641
Loan interest and fees	**4,897**	3,325
Consulting and other professional fees (note 19)	**16,103**	11,268
General and administration	**10,098**	5,297
Marketing and investor relations	**68,111**	38,409
Travel and accommodations	**-**	6,420
Legal and audit	**201,628**	87,379
Transfer agent and filling fees	**20,185**	25,101
Non-recoverable input tax credits	**82,866**	54,172
Depreciation and amortization (note 7)	**-**	256
Total operating expenses	**$ 550,312**	$ 365,268

18. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three months ended March 31, 2023, was based on the loss attributable to common shareholders of $997,345 (three months ended March 31, 2022 - $586,237) and the weighted average number of common shares outstanding of 77,516,376 (three months ended March 31, 2022 - 51,590,517). Diluted loss per share did not include the effect of 41,243,361 warrants or 4,859,166 stock options for the three months ended March 31, 2023 (three months ended March 31, 2022 - 41,084,194 warrants or 4,859,166 stock options) as their effect is anti-dilutive.

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Management fees	**$ 116,424**	$ 127,741
Consulting and other professional fees	**15,682**	11,826
Share-based payments	**-**	337,189
	$ 132,106	$ 476,756

20. Subsequent event

Subsequent to the three months ended March 31, 2023, the Company closed tranche 1 of a non-brokered private placement of 1,960,000 Units at a price of $0.045 per Unit for aggregate gross proceeds of $88,200. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles its holder to purchase one additional Common Share at an exercise price of $0.065 per Common Share for a period of 24 months from the date of issue (“Closing Date”). In the event that, during the period following 24 months from the Closing Date, the volume-weighted average trading price of the Common Shares exceeds $0.13 per Common Share for any period of 10 consecutive trading days, the Company may, at its option, following such 10-day period, accelerate the expiry date of the Warrants by issuing a press release (a “Warrant Acceleration Press Release”), and, in such case, the expiry date of the Warrants shall be deemed on the 30th day following the date of issuance of the Warrant Acceleration Press Release.

In connection with the First Tranche, the Company paid a cash commission of $6,660 and issued 148,000 finder’s warrants to certain eligible finders.

Subsequent to the three months ended March 31, 2023, the completed several debt settlements and that the Corporation settled an aggregate of $735,343 of secured debt owed to multiple creditors via the issuance of an aggregate 15,810,432 Common Shares.

Subsequent to the three months ended March 31, 2023, the Company closed tranche 2 of a non-brokered private placement of 12,790,000 Units at a price of $0.045 per Unit for aggregate gross proceeds of $575,550. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles its holder to purchase one additional Common Share at an exercise price of $0.065 per Common Share for a period of 24 months from the date of issue (“Closing Date”). In the event that, during the period following 24 months from the Closing Date, the volume-weighted average trading price of the Common Shares exceeds $0.13 per Common Share for any period of 10 consecutive trading days, the Company may, at its option, following such 10-day period, accelerate the expiry date of the Warrants by issuing a press release (a “Warrant Acceleration Press Release”), and, in such case, the expiry date of the Warrants shall be deemed on the 30th day following the date of issuance of the Warrant Acceleration Press Release.

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