

Q2 2023



**bluesky**  
DIGITAL ASSETS

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023**

(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

AUGUST 29, 2023

[www.blueskydigitalassets.com](http://www.blueskydigitalassets.com)



**BTCWF**  
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**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 and six months ended June 30, 2023. This information in this MD&A is prepared as of August 29, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2023, as well as the audited consolidated financial statements for the year ended December 31, 2022 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2023 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 "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 enterprise. Bluesky in its startup phase, mined digital currencies such as Bitcoin and Ether and developed value-added technology services for the digital currency market, such as proprietary technology solutions. Offering a complete ecosystem of value-creation, Bluesky has invested appropriate portions of its previous digital currency mining profits back into its operations. A percentage of the profit was invested in the development of a proprietary AI based Blockchain technology. Overall, Bluesky 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 change, evolve, and scale. For more information please visit Bluesky at: [www.blueskydigitalassets.com](http://www.blueskydigitalassets.com) or [www.blueskyintel.com](http://www.blueskyintel.com) Please also follow us on LinkedIn at: [www.linkedin.com/company/bluesky-digital-assets/](http://www.linkedin.com/company/bluesky-digital-assets/)

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**

As previously stated in the Corporation's Q1 2023 MD&A, for the first half of fiscal 2023, the Corporation will be totally focused on further developing its Artificial Intelligence Research & Development output as the Corporation has halted all crypto mining operations in Q3 of 2022. The Corporation fully expects that for the next three quarters it will continue to incur losses as the Corporation will require capital to be spent to further develop its AI business strategy. These efforts will focus on previously announced investigations and initiatives for areas like Decentralized Finance or "DeFi", Stablecoin, Artificial Intelligence usage. The Corporation will also make further investments into BlueskyINTEL which is being developed by Wedig Techsolutions Ltd. ("WDT") a well-established international R&D services provider, in which WDT became the primary delivery resources for the Corporation's Research & Development output. BlueskyINTEL will be expanding its original Blockchain focused site to include a financial related matchmaking service that brings together funding and the need for funding for significant Blockchain related initiatives. BlueskyINTEL will add these new expansion criteria to its blockchain advanced search engine and the same (AI) artificial intelligence methodologies used by BlueskyINTEL now will be used to appropriately and intelligently match real financial need to available resources. The Corporation may elect to make strategic acquisitions of other companies in the AI space. Despite the tight capital markets, the Corporation has received positive feedback on its AI endeavours as the Corporation undertook, and successfully completed, in Q2 a capital raise where the Corporation raised \$663,750 CAD in proceeds via the issuance of 14,750,000 Units. For the six months ended the Corporation has incurred \$1,115,020 CAD in expenses that is all related to business development and consulting with the purpose to further advance the Corporation's BlueskyINTEL platform and its other AI related endeavors. The Board of Directors and the Management Team remain extremely optimistic in the Corporation's business plan and future outlook for the remainder of fiscal 2023.

**Q2 Financial Information**

The following table shows selected results of operations for the three months ended June 30, 2023 compared to the same the month periods for the four years prior. All figures presented in the table below are stated in CAD Dollars.

	Q2 2023	Q2 2022	Q2 2021	Q2 2020	Q2 2019
Total revenues	-	500,685	851,813	186,896	254,224
Total loss and comprehensive loss for the period	(1,559,280)	(2,958,060)	(2,701,818)	(191,476)	(223,722)
Earning / Loss per share from continuing operations	(0.01)	(0.05)	(0.11)	(0.01)	(0.00)
Total assets	1,995,309	8,470,876	5,766,253	2,340,362	7,874,117
Total liabilities	(1,306,833)	(2,415,584)	(518,484)	(641,879)	(3,301,284)

Revenue from continuing operations for the three months ended June 30, 2023 was \$NIL compared to \$500,685 CAD earned in the same period in the prior year which represented a year over year decrease of 100% and was primarily driven by the factors stated in the "Overview and Outlook" section of this MD&A.

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

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Digital Mining Revenue	\$Nil	\$Nil	2,916	331,020	500,685	580,583	1,116,169	1,047,909
Net Income (Loss)	(1,559,280)	(996,860)	(4,469,037)	(2,928,783)	(1,535,083)	(586,237)	(1,750,595)	(649,820)
Income (Loss) per share	(0.01)	(0.01)	(0.07)	(0.02)	(0.05)	(0.01)	(0.02)	(0.02)
Cash	523,053	55,331	231,711	173,547	578,653	1,401,895	854,377	3,304,851

**Results of Operations**

The following table shows the results of operations for the three months ended June 30, 2023 compared to the same period last year. All figures presented in the table below are stated in CAD Dollars.

	Q2 2023	Q2 2022
<b>Revenue</b>		
Digital currency mined	\$ -	\$ 500,685
<b>Cost of revenue</b>		
Site operating costs	23,064	(928,898)
Depreciation	(55,477)	(466,560)
<b>Gross profit (loss)</b>	(32,413)	(894,773)
<b>Operating expenses</b>		
General and administration	\$ 1,314,062	\$ 909,291
Loss (gain) on sale of digital currencies	-	412,783
Share-based payments	266,875	-
Total operating expenses	1,580,937	1,322,074
<b>Operating loss</b>	(1,613,350)	(2,216,847)
Loss on investments	22,964	(23,484)
Foreign exchange (loss) gain	611	768
Accretion	(28,307)	-
(Loss) on disposal of assets	-	-
(Loss) on settlement of payables	(163,801)	-
Warrant expensed	-	1,925,497
Gain on revaluation of warrant liability	222,603	(634,780)
<b>Total loss for the period</b>	\$ (1,559,280)	\$ (948,846)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to income</b>		
Revaluation of digital currencies, net of tax	-	(83,717)
<b>Other comprehensive income for the period</b>	-	(83,717)
<b>Total loss and comprehensive loss for the period</b>	\$ (1,559,280)	\$ (1,032,563)
<b>Basic and diluted net loss per share</b>		
Basic and diluted net loss per share	(0.01)	(0.02)
Basic and diluted net loss per share - continued operations	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>	106,491,930	61,389,616

Revenue from continuing operations for the three months ended June 30, 2023 was \$NIL compared to \$500,685 CAD earned in the same period in the prior year which represented a year over year decrease of 100% and was primarily driven by the factors stated in the "Overview and Outlook" section of this MD&A.

**Performance For The Three Months Ended June 30, 2023 and 2022**

The table below shows revenue from continuing operations for the three months ended June 30, 2023, compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Increase / (decrease) in \$	Increase / (decrease) in %
<b>Revenue</b>				
Digital currency mined	\$ 0/NIL	\$ 580,583	\$ (580,583)	(100%)
<b>Total Revenue</b>	\$ 0	\$ 580,583	\$ (580,583)	(100%)

Revenue from continuing operations for the three months ended March 31, 2023 was \$0/Nil CAD compared to \$580,583 CAD earned in the same period in the prior year which represented a year over year decrease of 100% and was primarily driven by the factors previously stated in the "Overview and Outlook" section of this MD&A.

The following table shows the total operating expenses for the three months ended June 30, 2023, compared to the same period in the prior year.

All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Increase / (decrease) in \$	Increase / (decrease) in %
<b>Operating expenses</b>				
General and administration	\$ 1,314,062	\$ 909,291	\$ 404,771	44.5%
Loss (gain) on sale of digital currencies	-	412,783	(412,783)	(100%)
Share-based payments	266,875	-	266,875	(100%)
<b>Total operating expenses</b>	\$ 1,580,937	\$ 1,322,074	\$ 258,863	19%

Total operating expenses for the three months ended June 30, 2023 amounted to \$1,314,062 CAD compared to \$909,291 CAD for the three months ended June 30, 2022 representing a decrease of 19%.

**Liquidity & Capital Resources**

The following table summarizes cash flows for the six months ended June 30, 2023, compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net cash (used in) operating activities	\$ (645,039)	\$ 654,301
Net cash (used in) provided by investing activities	124,000	(3,091,436)
Net cash (used in) provided by financing activities	812,357	2,163,507
Net change in cash	291,318	549,614
Cash, beginning of period	231,711	854,233
Exchange differences on cash	24	(1,952)
Cash, end of period	\$ 523,053	\$ 578,653

As at June 30, 2023, the Corporation had total assets of \$1,995,309 CAD to meet its total current liabilities of \$1,056,555CAD. To successfully pursue its AI development endeavors and /or should the Corporation elect to recommence mining operations, the Corporation plans to continue to raise equity, and possibly debt, in order to pursue, and possibly complete, additional deals and build scale. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the 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 and / or reduce or terminate some or all of its operations.

## **Additional Disclosures**

### **Critical Accounting Estimates and Judgments**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### **Assets' carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

#### **Income, value added, withholding and other taxes**

The Corporation is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Corporation's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Corporation's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations.

The Corporation's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### **Fair value/impairment of notes receivable, accounts and other receivables**

The recoverability of notes receivable, accounts and other receivables is assessed when events occur indicating impairment. Recoverability is based on factors that may include failure to pay interest on time, failure to pay the principal, termination of advisory agreements and other factors. The Company assesses expected credit losses at each reporting date. An impairment loss is recognized in the period when it is determined that the carrying amount of the assets will not be recoverable. Refer to Note 7 in the financial statements for further details.

#### **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### **Fair value of investment in securities not quoted in an active market or private company investments**

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

#### **Estimated useful life of property, plant and equipment**

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

#### **Warrant liability**

The Corporation uses Black-Scholes method to determine the fair value of the warrant liability. The Black-Scholes method requires significant judgement in determining the fair value such as volatility and risk-free rate. A change in these inputs could lead to significant change in the fair value

of the warrant liability.

### Income from digital currency mining and digital currency valuation

The Corporation recognizes income from digital currency mining from the provision of transaction verification services within digital currency networks, commonly termed "cryptocurrency mining". As consideration for these services, the Corporation receives digital currency from each specific network in which it participates ("coins"). Income from digital currency mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital currencies, at their fair value less costs to sell and remeasured at each reporting date. In fiscal 2020, all coins received were promptly sold for Canadian Dollars and as at December 31, 2020 the Company held no coins as all coins were converted into cash. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital currency mining for mining of digital currencies. Management has examined various factors surrounding the substance of the Corporation's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received.

### The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

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, 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 Corporation 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 June 30, 2023. All figures presented in the table below are stated in CAD Dollars.

	Assets & liabilities at amortized cost
Cash	523,053
Accounts and other receivables	6,663
Investments	69,003
Accounts payable & accrued liabilities	(929,431)
Loans payable	(60,000)

**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 June 30, 2023, the Corporation's current liabilities totaled \$ 1,306,833 CAD (2022 - \$1,408,698 CAD) and cash totaled \$523,053 CAD (2022 - \$ 231,711 CAD). The Corporation generates cash flow from the proceeds of the sales of its Bitcoin and Ethereum holdings. 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 and a portion of its loans receivable and investments are in United States dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the 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 \$360,000 CAD (December 31, 2022- \$360,000) and additional contingent payments of 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.

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 June 30, 2023 and December 31, 2022.

All figures presented in the table below are stated in CAD Dollars.

Investments, fair value	June 30, 2023	Year Ended December 31, 2022
Publicly traded investments	69,003	49,357
Totals	69,003	49,357

**Outstanding share data**

As at June 30, 2023, the Corporation had 129,286,796 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 had 54,813,479 Common Share Purchase Warrants outstanding priced at between \$0.05 and \$2.00 and 4,859,166 Stock Options entitling the holder to acquire an additional Common Share by paying \$0.05 to \$1.44 per Common Share. As at August 29, 2023, the Corporation had 135,219,296 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 54,813,479 Common Share Purchase warrants outstanding priced at between \$0.05 and \$2.00 and 4,859,166 Stock Options entitling the holder to acquire an additional Common Share by paying \$0.05 to \$1.44 per Common Share.

**Transactions with Related Parties**

As at June 30, 2023 the Corporation did not enter into any transactions 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 is displayed in the table below.

All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Management fees	\$ 76,495	\$ 526,590
Consulting and other professional fees	30,564	33,656
Share-based payments	266,875	-
	<b>\$ 373,934</b>	<b>\$ 560,246</b>

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 & Our Industry**

**The Corporation has a limited operating history**

The Corporation has a limited operating history, its 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, 2020, 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. This could prove detrimental in that the Corporation may not have the funds to attract to 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 three and six months ended June 30, 2023, the Corporation realized a net loss of (\$2,556,139) CAD compared with a net loss of (\$1,766,690)CAD for the three and six months ended June 30, 2022. As at June 30, 2022, the Corporation had working capital of \$ 523,053 and total assets of \$1,995,309. 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.

**The Corporation may require permits and licenses**

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required.

**Server failure could pose a threat to the Corporation's business**

There is a risk of serious malfunctions in servers or central processing units and/or their collapse. The Corporation utilizes a team of experts that enables, among other things, control, management and reporting of malfunctions in real time, which enables ongoing control over the operation of the equipment, including its cooling. While malfunctions in central servers, or central processing units can only occur on a specific server farm or part of it or for short periods of time, such server crashes or failures may cause significant economic damage to the Corporation.

**The Corporation will need to develop and maintain its facilities**

The continued development of existing and planned facilities is subject to various factors, and may be delayed or adversely affected by such factors beyond the Corporation's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment



into existing infrastructure, shortages in materials or labour, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Corporation's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

#### **The Corporation could be subject to claims from investors**

Given the nature of the Corporation's activities, claims or complaints may occasionally be made against us by investors or others in the normal course of our business. The legal risks to which the Corporation, its directors, executive officers, employees or agents are exposed to in this respect include potential liability for violation of securities laws, breach of fiduciary duty and other possible claims. Some violations of securities laws or other industry regulations by the Corporation or one of its directors, executive officers, employees or agents may give rise to civil liability, fines, sanctions, expulsion from a self-regulatory organization or even suspension or revocation of our right to carry on business. The Corporation may incur significant legal fees in defending ourselves against this potential liability.

#### **Environmental regulations**

All of the Corporation's operations may be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolution of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for noncompliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects. The Corporation may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to mine crypto assets. In addition, environmental hazards may exist on a property in which the Corporation directly or indirectly holds an interest which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. To the extent the Corporation is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Corporation. If the Corporation is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Corporation.

#### **General Risks**

##### **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.

##### **Management of Growth**

The Corporation has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Corporation's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Corporation will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Corporation will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Corporation's operations.

##### **Conflicts of Interest**

Certain officers and directors of the Corporation are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Corporation will be required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest which they may have in any project or opportunity of the Corporation. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his or her interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

##### **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.

### **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 to issue 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.

### **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation has not entered into any derivative contracts to manage this risk. The Corporation will be exposed to interest rate changes on its investments that are expected to pay interest, and any credit facilities it may have that bear interest at a floating rate. Changes in the prime lending rate would affect earnings and could adversely affect the Corporation's profitability.

### **Additional Information**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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