Q3 2023

bluesky
DIGITAL ASSETS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(November 29, 2023)

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 and nine months ended September 30, 2023 and 2022. This information in this MD&A is prepared as of November 29, 2023, and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 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 nine months ended September 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 "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

The Corporation continues to be totally focused on further developing its Artificial Intelligence Research & Development output as the Corporation halted all crypto mining operations in Q3 of 2022. The Management Team of the Corporation fully expects that for the first half of 2024, the Corporation will continue to incur losses, as the Corporation will require capital to be spent to further develop its AI business strategy which will require the additional development of source code to enhance the Corporation's current platform BlueskyINTEL. These efforts will focus on previously announced investigations and initiatives for areas like Decentralized Finance or "DeFi", 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. The Corporation is aiming to become revenue generating towards Q3, 2024 assuming that the Corporation doesn't make a strategic acquisition of a revenue generating business. The Board of Directors and the Management Team remain optimistic in the Corporation's business plan and future outlook for fiscal 2024.

Q3 2022 Financial Information

The following table shows the results of the Corporation's operations for the three months ended September 30, 2023 compared to the same time period for the prior four years. All figures presented in the table below are stated in CAD Dollars.

	Q3 2023	Q3 2022	Q3 2021	Q3 2020	Q3 2019
Total revenues	-	331,020	1,047,909	204,177	94,498
Total Loss for the period	(686,292)	(1,398,911)	(649,820)	(200,353)	(1,809,241)
Earning / Loss per share from continuing operations	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)
Total assets	1,628,970	6,407,076	7,631,732	1,595,872	5,863,609
Total liabilities	(1,352,286)	(1,673,693)	(494,353)	(313,000)	(2,800,790)

Revenue from continuing operations for the three months ended September 30, 2023 was $NIL compared to $331,020 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.

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Digital Mining Revenue	$Nil	$Nil	$Nil	2,916	331,020	500,685	580,583	1,116,169
Net Income (Loss)	(686,292)	(1,559,280)	(996,860)	(4,469,037)	(2,928,783)	(1,535,083)	(586,237)	(1,750,595)
Income (Loss) per share	(0.01)	(0.01)	(0.01)	(0.07)	(0.02)	(0.05)	(0.01)	(0.02)
Cash	13,734*	523,053	55,331	231,711	173,547	578,653	1,401,895	854,377

*Denotes $223,943 in other receivables not included in total. For further details please refer to note 4 in the Corporation's Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2023.

Results of Operations

The following table shows the results of operations for the three and nine months ended September 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 Sept 30,		Nine Months Ended Sept 30,	
	2023	2022	**2023**	2022
REVENUE				
Digital Assets Mined	**$ -**	$ 331020	**$ -**	$ 1,412,288
COST OF REVENUE			**-**	-
Site Operation Costs	**(13,782)**	(772,132)	**(49,425)**	(2,099,853)
Depreciation	**(15,166)**	(678,737)	**(89,040)**	(1,761,552)
GROSS PROFIT (LOSS)	**(28,948)**	(1,119,849)	**(138,465)**	(2,449,117)
OPERATING EXPENSES				
General and administration	**649,661**	354,325	**2,514,035**	1,628,884
Loss (gain) on sale of digital currencies	**-**	(685)	**-**	437,183
Share-based payments	**-**	-	**266,875**	337,189
TOTAL OPERATING EXPENSES	**649,661**	353,640	**2,780,910**	2,403,256
LOSS BEFORE OTHER ITEMS	**(678,609)**	(1,473,489)	**(2,919,375)**	(4,852,373)
Unrealized (loss) on investments	**(7,759)**	(18,623)	**12,568**	(98,366)
Foreign exchange (loss) gain	**4,115**	4,115	**1,251**	2,162
Accretion	**-**	-	**(51,152)**	-
Gain (loss) on disposal of assets	**13,751**	-	**(40,153)**	-
(Loss) on settlement of payables	**59,325**	-	**(155,092)**	-
Warrant expensed	**-**	94,297	**-**	2,019,794
(Loss) on revaluation of warrant liability	**(74,424)**	-	**(90,964)**	-
TOTAL LOSS FOR THE PERIOD	**$ (686,292)**	$ (1,393,700)	**$ (3,242,917)**	$ (2,928,783)
Other comprehensive income Items that will not be reclassified subsequently to income				
Revaluation of digital currencies, net of tax	**-**	(5,211)	**486**	(236,818)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(5,211)**	(5,211)	**486)**	(236,818)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (686,292)**	$ (1,398,911)	**$ (3,242,431)**	$ (3,165,601)
Basic and diluted net loss per share	**$ (0.01)**	$ (0.02)	**$ (0.04)**	$ (0.05)
Weighted average number of common shares outstanding	**105,745,347**	64,298,336	**83,726,998**	61,323,627

Total revenue decreased to $NIL CAD for the three months ended September 30, 2023 from $331,020 CAD for the three months ended September 30, 2022 which represented a year over year decrease of 100%. The Management Team of the Corporation fully expects that for the first half of 2024, the Corporation will continue to incur losses, and will see minimum incoming revenue streams as the Corporation will require capital to be spent to further develop its AI business strategy. The Corporation will be looking to monetize its BlueskyINTEL platform towards the second half of 2024. Total loss and comprehensive loss for the three months ended September 30, 2023 amounted to $(686,292) which was down from $(1,398,911) for the three months ended September 30, 2022 and of which represented a decrease of 51%.

Gross Revenue for the three months ended September 30, 2023

The following table shows revenues from the Corporation's continuing operations for the three months ended September 30, 2022 compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Q3 2023	Q3 2022		Increase / (decrease) in $	Increase / (decrease) in %
REVENUE					
Digital Assets Mined	-	331,020		(331,020)	(-100%)
TOTAL REVENUE	-	331,020		(331,020)	(-100%)

Operating Expenses for the three months ended September 30, 2023

The following table shows the Corporation's operating costs for the three months ended September 30, 2023 compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Q3 2023	Q3 2022		Increase / (decrease) in $	Increase / (decrease) in %
OPERATING EXPENSES					
General and administration	**649,661**	354,325		295,336	+83.3%
Loss (gain) on sale of digital currencies	**-**	(685)		685	+100%
Share-based payments	**-**	-		-	-
TOTAL OPERATING EXPENSES	**649,661**	353,640		296,021	+83.3%

The Corporation's total operating expenses for the three months ended September 30, 2023 increased 83.3 % to $649,661 CAD from $353,640 CAD that was recorded in the same period in the prior year.

Operating Expenses for the nine months ended September 30, 2023

The following table shows the Corporation's operating costs for nine months ended September 30, 2023 compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Q3 2023	Q3 2022		Increase / (decrease) in $	Increase / (decrease) in %
OPERATING EXPENSES					
General and administration	**2,514,035**	1,628,884		885,151	+54.3%
Loss (gain) on sale of digital currencies	**-**	437,183		(**437,183)**	(-100%)
Share-based payments	**266,875**	337,189		(70,314)	(-20.9%)
TOTAL OPERATING EXPENSES	**2,780,910**	2,403,256		377,654	+15.7%

The Corporation's total operating expenses for the nine months ended September 30, 2023 increased 15.7% to $**2,780,910** from $2,403,256 that was recorded in the same period in the prior year.

<u>Liquidity and Capital Resources</u>

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

	2023	2022
Cash (used in) operating activities	**(1,149,138)**	(374,853)
Cash (used in) provided by investing activities	**137,751**	(2,448,418)
Cash (used in) provided by financing activities	**793,386**	2,144,537
Net change in cash	**(218,001)**	(678,734)
Cash, beginning of period	**231,711**	854,233
Cash, end of period	**13,734***	173,547

*Denotes $223,943 in other receivables not included in total. For further details please refer to note 4 in the Corporation's Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2023 As At September 30, 2023, the Corporation's total assets, including cash end of period, amounted to $1,628,970 CAD. Total liabilities amounted to $1,352,286 CAD.

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

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

Standards, amendments and interpretations not yet effective

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

Financial Instruments

Financial assets and financial liabilities as at September 30, 2023. All figures presented in the table below are stated in CAD Dollars.

	Assets & liabilities at amortized cost
Cash	**13,734**
Other receivables	**223,943**
Digital currencies	**1,474**
Investments	**61,244**
Accounts payable & accrued liabilities	**916,743**
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 September 30, 2023, the Corporation's current liabilities totaled $1,045,218 CAD (2022 - $964,924 CAD) and total cash available to the Corporation amounted to $13,734 CAD (2022 - $173,547 CAD). 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 CDN (December 31, 2020 - $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. 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 September 30, 2023 and 2022 All figures presented in the table below are stated in CAD Dollars.

Investments, fair value	Q3 2023	Q3 2022
Publicly traded investments	**61,244**	**55,723**
Private investments	**-**	**-**
Totals	**61,244**	**55,723**

Outstanding share data

As at September 30, 2023, the Corporation had 136,149,296 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 $1.00. The Corporation also has 4,859,166 Stock Options entitling the holder to acquire an additional Common Share by paying between $0.05 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:

	Three Months Ended Sept 2023	Three Months Ended Sept 2022	Nine Months Ended Sept 2023	Nine Months Ended Sept 2022
Management fees	**203,585**	224,890	**468,004**	1,004,941
Consulting & other fees	**54,824**	12,721	**161,170**	51,066
	258,409	237,611	**629,174**	1,056,007

All figures presented in the table above was stated in CAD Dollars.

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 and 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, 2022, the Corporation changed its business to "Artificial Intelligence Development" from "Digital Assets Mining". The timeframe that the Corporation has been in the AI Development space is very short compared to its competitors. The Corporation's limited operating history in AI 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 AI Development, 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 year ended December 31, 2022, the Corporation realized a net loss of $(7,397,820) compared with a net loss of $(6,305,720) for the year ended December 31, 2021. As of December 31, 2022, the Corporation had a working capital of $231,711 and total assets of $1,965,618. For the nine months ended September 30, 2023, the Corporation had a net loss of $(3,242,917), $13,734 in cash and total assets of $1,628,970. 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 AI platform might be exposed to cybersecurity threats and hacks

As with any other computer code, flaws in the AI source codes and keys have been exposed by certain malicious actors. Several errors and defects could be been found and corrected, including those that disabled some functionality for users and exposed users' information. Although discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have historically occurred somewhat regularly, more recently, they have been becoming relatively rarer.

There is a risk that some or all of the Corporation's user data could be lost or stolen. Access to the Corporation's user data could also be restricted by cybercrime (such as a denial of service ("DDoS") attack) against a service at which the Corporation maintains. Any of these events may adversely affect the operations of the Corporation and, consequently, its investments and profitability.

The loss or destruction of a private key required to access the Corporation's data may be irreversible. The Corporation's loss of access to its private keys or its experience of a data loss relating to the Corporation's data could adversely affect its investments.

Regulatory changes or actions may alter the nature of an investment in the Corporation or restrict the business of the Corporation a in a manner that adversely affects the Corporation's operations

As crypto assets have grown in both popularity and market size, governments around the world have reacted differently to crypto assets with certain governments deeming them illegal, while others have allowed their use and trade (with or without additional regulatory requirements). On-going and future regulatory actions or requirements may alter, perhaps to a materially adverse extent, the ability of the Corporation to continue to operate.

The effect of any future regulatory change on the Corporation or any crypto assets that the Corporation may mine is impossible to predict, but such change could be substantial and adverse to the Corporation. Due to the fact that the Corporation's AI will operating on the Blockchain, the Corporation may experience "guilt by association" as some banks and government agencies treat Blockchain the same as Crypto Currencies and therefore a ban of the entity could occur despite the Corporation's limited involvement in Blockchain and zero association to Crypto Currencies.

Governments may in the future curtail or outlaw any and all involvement in Blockchain. Blockchain may also be considered illegal and subject to sanction, or subject to heightened regulatory requirements. Governments may in the future take regulatory actions that may increase the cost and/or subject blockchain companies (including AI development companies, such as the Corporation) to additional regulation. By extension, similar actions by governments, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Common Shares. Such a restriction could result in the Corporation liquidating its asset inventory at unfavorable prices and may adversely affect the Corporation's shareholders.

Crypto asset trading platforms are relatively new and under heightened regulatory scrutiny and may be exposed to regulatory risk, fraud and failure

To the extent that crypto asset trading platforms (often referred to as "crypto asset exchanges") are involved in fraud, are subject to enforcement prosecution for failure to adhere to regulatory requirements, or experience security failures or other operational issues, this could result in a reduction in prices of crypto assets.

Crypto assets' market prices depend, directly or indirectly, on the prices set on these platforms and other venues, which are new and under heightened regulatory scrutiny. During the past three years, a number of crypto asset trading platforms have been closed or the subject of prosecution due to fraud, the failure to adhere to regulatory requirements, business failure or security breaches. In many of these instances, the customers of these closed platforms are not compensated or made whole for the partial or complete losses of their account balances. While smaller platforms are less likely to have the infrastructure and capitalization that provide larger platforms with additional stability, larger platforms may be more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action. Such actions may adversely affect the Corporation, not only due to its effect on the price of various crypto assets, but because the Corporation's crypto assets may be custodied at various crypto platforms or venues from time to time.

The Corporation may be adversely impacted if there is a failure in the internal control systems, policies, and/or procedures of the Corporation or others

Internal controls over the safeguarding of it source codes and network are procedures that are designed to provide reasonable assurance that transactions involving blockchain data transfers are properly authorized, are appropriately safeguarded including against unauthorized or improper use, and transactions are properly recorded and reported. As part of its operation, safeguards its data as best as possible however the failure to properly safeguard data presents many risks, including that user data may be improperly transferred or accessed. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the safe keeping of its user data safe. Any failure in the Corporation's internal controls or in the internal controls maintained at third parties (including custodians) who manage data on the Corporation's behalf may have a material adverse impact on the, investments, trading strategies and profitability of the Corporation..

There is risk that the Corporation may not be able to complete its audit

There is increased audit risk for the Corporation's auditors in the area of auditing the existence and ownership rights of digital asset holdings. If the Corporation's auditors deem the audit risk too high, there is risk that the current auditors would withdraw from the audit which, in turn, would increase the risk of the Corporation's ability to comply with the requirement for reporting annual audited financial statements as part of its ongoing continuous disclosure requirements as a publicly listed company. There is no certainty that the Corporation's independent auditor will be able to complete its audit of the Corporation. Similarly, the Corporation may not be able to retain a successor independent auditor to satisfy its ongoing continuous disclosure obligations or an auditor that is qualified in the digital asset industry.

Banks may not provide banking services, or may cut off banking services, to businesses that provide AI or Blockchain related services as it may be deemed that the Corporation is involved with crypto assets or that the Corporation accepts crypto assets as payment

A number of companies that provide Bitcoin and/or other crypto asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Bitcoin and/or other crypto asset-related companies (e.g., crypto mining companies) or companies that accept crypto assets for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide crypto asset-related services have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of crypto assets as a payment system and harming public perception of crypto assets or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of crypto assets as a payment system and the public perception of crypto assets could be damaged if banks were to close the accounts of many or of a few key businesses providing Bitcoin and/or other crypto asset-related services. The Corporation is involved with Blockchain which some banking institutions currently treat as "one in the same" as crypto assets / cryptocurrencies.

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.

require less energy and may render the Corporation less competitive as other miners are able to mine Ethereum with lower energy requirements.

The Corporation may be required to sell its assets to pay suppliers

The Corporation may sell its assets to pay necessary expenses. Consequently, the Corporation's assets may be sold at a time when the price is low, resulting in a negative effect on the Corporation's profitability.

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 labor, 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 in violation of laws, including securities laws

The Corporation, its custodians, trading platforms and mining pools are subject to various laws, regulations and guidelines. The Corporation intends to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Corporation's interpretation of laws, regulations and guidelines, including, but not limited to applicable securities laws and applicable stock exchange rules and regulations may differ from those of others, and the Corporation and its custodians, trading platforms and mining pools operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Corporation's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by the Corporation may significantly delay or impact the development and operations of the Corporation's business, and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Any potential non-compliance could cause the business, financial condition and results of the operations of the Corporation to be adversely affected. Furthermore, any amendment to or replacement of the securities laws and/or its regulations or other applicable rules and regulations governing the activities of the Corporation and its custodians, trading platforms and mining pools operations may cause adverse effects to the Corporation's operations. The risks to the business of the Corporation and its custodians, trading platforms and mining pools operations associated with the decision to amend or replace applicable securities laws and/or stock exchange policies could materially and adversely affect the business, financial condition and results of operations of the Corporation.

The Corporation could be subject to claims from investors

Given the nature of the Corporations 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.

Risk related to technological obsolescence and difficulty in obtaining hardware

To remain competitive, the Corporation will continue to invest in hardware and equipment at its facilities required for maintaining the Corporation's activities. Should competitors introduce new services/software embodying new technologies, the Corporation recognizes its hardware and equipment and its underlying technology may become obsolete and require substantial capital to replace such equipment. There can be no assurance that the hardware will be readily available when the need is identified. Equipment in the Corporation's facilities will require replacement from time to time. Shortages of graphics processing units may lead to unnecessary downtime as the Corporation searches for replacement equipment to ensure their facilities are running smoothly. Moreover, there can be no assurance that new and unforeseeable technology, either hardware-based or software-based, will not disrupt the existing asset industry. For example, the arrival of quantum computers, which are capable of solving certain types of mathematical problems fundamental to crypto assets more quickly and efficiently than traditional computers, may have a significant effect on the crypto asset industry.

The Corporation may not be able to obtain insurance on favorable rates or at all

The Corporation intends to insure its operations in accordance with technology industry practice. However, given the novelty of AI development the and associated businesses, such may be unavailable or uneconomic for the Corporation, or the nature or level may be insufficient to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Corporation.

The Corporation's business may be subject to environmental regulations and liabilities

All of the Corporation's operations may be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolvement 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.

Increase in carbon taxes could negatively impact the Corporation's operations

AI is energy intensive and has a significant carbon footprint. Increases in the tax payable on carbon emissions related to the Corporation's operations could significantly increase the Corporation's cost of doing business and could have a material adverse effect on the Corporation's business, results of operations and financial condition. While the Corporation currently uses wind power as a source of power for its existing operations, there are no assurances that the Corporation will be able to effectively and efficiently, or at all, source its power needs with cost efficient and reliable alternative renewable energy sources.

General Risks

Pandemic and COVID-19

The Corporation cautions that current global uncertainty with respect to the spread of the COVID-19 virus ("**COVID-19**") 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.

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.

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