

Q2 2024



bluesky
DIGITAL ASSETS

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024**

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

AUGUST 29, 2024

www.blueskydigitalassets.com



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

As at,	June 30, 2024	December 31, 2023
ASSETS		
Current		
Cash	\$ 138	\$ 98,578
Other receivables (note 4)	198,784	208,476
Prepaid expenses	236,620	100,505
Investments (note 10)	61,476	50,241
Digital currencies (note 5)	1,474	1,474
Total current assets	498,492	459,274
Non-current assets		
Property, plant and equipment (note 6)	311,905	319,997
Intangible assets (note 7)	820,387	-
Right of use assets (note 8)	70,486	100,819
Total assets	\$ 1,701,270	\$ 880,090
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 594,737	\$ 543,697
Lease liability (note 9)	69,855	69,855
Loans payable (note 13)	110,966	60,000
Total current liabilities	775,558	673,552
Non-current liabilities		
Lease liability (note 9)	1,727	35,958
Warrant liability (note 12)	282,403	146,876
Total liabilities	1,059,688	856,386
SHAREHOLDERS' EQUITY		
Share capital (note 14)	27,229,123	26,192,817
Contributed surplus (note 16)	8,756,098	6,005,652
Warrants (note 15)	1,266,045	4,016,491
Digital currency revaluation reserve	80,931	80,931
Deficit	(36,690,615)	(36,272,187)
Total shareholders' equity	641,582	23,704
Total liabilities and shareholders' equity	\$ 1,701,270	\$ 880,090

Description of business (note 1)

"Frank Kordy", Director

"Ben Gelfand", Director

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

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

	Three months ended June 30,		Six Months June 30,	
	2024	2023	2024	2023
Cost of revenue				
Site operating costs	\$ (5,463)	\$ 23,064	\$ (15,265)	\$ (35,643)
Depreciation	(15,167)	(55,477)	(30,333)	(73,874)
Gross loss	(20,630)	(32,413)	(45,598)	(109,517)
Operating expenses				
General and administration (note 17)	168,572	1,314,062	261,862	1,864,374
Share-based payments (notes 14 and 15)	-	266,875	-	266,875
Total operating expenses	(168,572)	(1,580,937)	(261,862)	(2,131,249)
Net operating loss	(189,202)	(1,613,350)	(307,460)	(2,240,766)
Other items				
Loss on investments	29,862	22,964	11,235	20,327
Foreign exchange loss	(475)	611	(2,120)	(173)
Accretion	-	(28,307)	-	(51,152)
Gain (loss) on disposal of assets	12,400	-	15,444	(53,904)
Loss on settlement of payables	-	(163,801)	-	(214,417)
(Loss) gain on revaluation of warrant liability (note 12)	(138,076)	222,603	(135,527)	(16,540)
Net loss for the period	\$ (285,491)	\$ (1,559,280)	\$ (418,428)	\$ (2,556,625)
Other comprehensive income				
Items that will not be reclassified subsequently to income				
Revaluation of digital currencies	-	-	-	486
Other comprehensive income for the period	-	-	-	486
Total loss and comprehensive loss for the period	\$ (285,491)	\$ (1,559,280)	\$ (418,428)	\$ (2,556,139)
Net loss and comprehensive loss per share				
- basic and diluted (note 18)	\$ (0.01)	\$ (0.10)	\$ (0.02)	\$ (0.24)
Weighted average number of common shares outstanding				
- basic and diluted (note 18)	25,161,207	15,213,133	23,553,601	10,784,036

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

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

	Six Months June 30,	
	2024	2023
Operating activities		
Loss for the period	\$ (418,428)	\$ (2,556,625)
<i>Items not affecting cash:</i>		
Depreciation	30,333	73,874
Common shares issued for services and compensation (note 16)	-	1,115,020
Share-based payments	-	272,633
Loss on revaluation of warrant liability	135,527	16,540
Loss on investments	(11,235)	(20,327)
(Gain) loss on disposal of assets	(15,444)	53,904
Interest on loan	29,677	1,470
Accretion of interest	-	6,335
Loss on settlement of payables	-	214,417
<i>Changes in non-cash working capital items:</i>		
Other receivables	9,692	100
Prepaid expenses	24,485	29,905
Accounts payable and accrued liabilities	71,359	147,715
Net cash used in operating activities	(144,034)	(645,039)
Financing activities		
Lease payments paid	(37,942)	(37,942)
Proceeds from loans	150,000	219,749
Proceeds from issuance of common shares	-	630,550
Net cash provided by financing activities	112,058	812,357
Investing activities		
Proceeds from sale equipment	23,536	124,000
Intangible asset development	(90,000)	-
Net cash (used in) provided by investing activities	(66,464)	124,000
(decrease) Increase in cash	(98,440)	291,318
Cash, beginning of period	98,578	231,711
Exchange differences on cash	-	24
Cash, end of period	\$ 138	\$ 523,053

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

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

	Share capital				Contributed Surplus \$	Warrants \$	Digital Currency revaluation reserve \$	Deficit \$	Total \$
	Preferred shares \$	Preferred shares to be registered \$	Common shares \$	Total Share capital \$					
Balance, December 31, 2022	2,054,685	(353,057)	21,341,453	23,043,081	5,686,009	3,957,626	80,445	(32,210,241)	556,920
Issuance of Units (net of share issue costs of \$72,858)	-	-	590,892	590,892	-	-	-	-	590,892
Shares issued for services	-	-	1,425,643	1,425,643	-	-	-	-	1,425,643
Shares issued for debt and financing	-	-	398,527	398,527	-	-	-	-	398,527
Share-based compensation	-	-	-	-	-	272,633	-	-	272,633
Transactions with owners	2,054,685	(353,057)	23,756,515	25,458,143	5,686,009	4,230,259	80,445	(32,210,241)	3,244,615
Revaluation of digital currency net of tax	-	-	-	-	-	-	486	-	486
Net loss for the period	-	-	-	-	-	-	-	(2,556,625)	(2,556,625)
Balance, June 30, 2023	2,054,685	(353,057)	23,756,515	25,458,143	5,686,009	4,230,259	80,931	(34,766,866)	688,476
Balance, December 31, 2023	2,054,685	(353,057)	24,491,189	26,192,817	6,005,652	4,016,491	80,931	(36,272,187)	23,704
Shares issued for services	-	-	911,306	911,306	-	-	-	-	911,306
Shares issued for debt and financing	-	-	125,000	125,000	-	-	-	-	125,000
Warrant expiry	-	-	-	-	2,750,446	(2,750,446)	-	-	-
Transactions with owners	2,054,685	(353,057)	25,527,495	27,229,123	8,756,098	1,266,045	80,931	(36,272,187)	1,060,010
Net loss for the period	-	-	-	-	-	-	-	(418,428)	(418,428)
Balance, June 30, 2024	2,054,685	(353,057)	25,527,495	27,229,123	8,756,098	1,266,045	80,931	(36,690,615)	641,582

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

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2024
(Expressed in Canadian Dollars)
Unaudited

1. Description of business, going concern

Bluesky Digital Assets Corp. (or the "Company") is a reporting issuer in Ontario, Alberta and British Columbia. In Canada, the Company's common shares trade under the symbol "BTC" on the Canadian Securities Exchange and under the trading symbol "BTCWF" in the United States on the OTC Markets QB. The Company's "Class – A" preferred shares trades under the symbol "BTC.PR.A" on the Canadian Securities Exchange. The Company's corporate office and principal place of business is 100 King West, Suite 5700, Toronto, Ontario, Canada, M5X 1C9.

On June 7, 2024, the Company completed a 7:1 shares consolidation of its common shares. All share quantities and share prices in these financial statements are stated based on their post-consolidation values, unless otherwise specified.

The Company is business consist of conducting research & development of artificial intelligence to enhance the BlueskyINTEL platform. The Company previously was in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain. The Company received bitcoin in return for successful service.

Going concern

The Company incurred a net loss during the six months ended June 30, 2024 of \$418,428 (2023 - \$2,556,625) and had an accumulated deficit of \$36,690,615 (December 31, 2023 - \$36,272,187). As at June 30, 2024, the Company had a working capital deficit of \$277,066 (December 31, 2023 - \$214,278). These conditions indicate material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Given the volatility in the financial markets, it may be difficult to raise financing when needed. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Material uncertainties as mentioned above cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited condensed consolidated interim financial statements. Such adjustments could be material. The Company may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

2. Basis of presentation

Statement of compliance to international financial reporting standards

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

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2024
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2. Basis of presentation (continued)

Statement of compliance to international financial reporting standards (continued)

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS's issued and outstanding as of August 29, 2024, the date the Board of Directors approved the statements. Except as disclosed in note 3, the same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2023. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the period ending December 31, 2024 could result in restatement of these unaudited condensed consolidated interim financial statements.

Basis of consolidation

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

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

Company	Registered	Principle activity
Bluesky Digital Assets Corp..	Canada	Parent Company
Bluesky Digital Assets Inc. ⁽¹⁾	Canada	Holding Company
MethodeVerte Inc. ⁽¹⁾	Canada	Holding Company
GP Self Storage Inc. ⁽¹⁾	Canada	Commercial Rental Company
GP Realty Inc. ⁽¹⁾	Canada	Holding Company
Bluesky Defi Inc.(formerly 63 Wellington Street Inc.) ⁽²⁾	Canada	Inactive
Bluesky Intelligence Inc. (formerly 1Balfour Place Inc.) ⁽²⁾	Canada	Inactive

⁽¹⁾ 100% owned by the Parent Company

⁽²⁾ 100% owned by GP Realty Inc

Basis of measurement

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

3. Material accounting policies

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

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

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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4. Other receivables

	June 30, 2024	December 31, 2023
Other receivables	\$ 1,287	\$ 1,286
Funds held in trust by related parties	197,497	207,190
Total other receivable	\$ 198,784	\$ 208,476

5. Digital currencies

The continuity of digital currencies was as follows:

	Number of Ethereum	Amount
Balance, December 31, 2023 and June 30, 2024	1	\$ 1,474

6. Property, plant and equipment

Cost	Data miners	Equipment	Computers	Total
Balance, December 31, 2022	\$ 7,936,449	\$ 925,374	\$ 12,772	\$ 8,874,595
Disposals	(3,467,408)	(79,629)	(6,225)	(3,553,262)
Balance, December 31, 2023	4,469,041	845,745	6,547	5,321,333
Disposals	-	(16,500)	-	(16,500)
Balance, June 30, 2024	\$ 4,469,041	\$ 829,245	\$ 6,547	\$ 5,304,833

Accumulated depreciation	Data miners	Equipment	Computers	Total
Balance, December 31, 2022	\$ 7,343,421	\$ 238,790	\$ 11,932	\$ 7,594,143
Additions	-	-	840	840
Disposals	(3,289,493)	(61,046)	(6,225)	(3,356,764)
Impairment	184,038	579,079	-	763,117
Balance, December 31, 2023	4,237,966	756,823	6,547	5,001,336
Disposals	-	(8,408)	-	(8,408)
Balance, June 30, 2024	\$ 4,237,966	\$ 748,415	\$ 6,547	\$ 4,992,928

Carrying amount	Data miners	Equipment	Computers	Total
Balance, December 31, 2023	\$ 231,075	\$ 88,922	\$ -	\$ 319,997
Balance, June 30, 2024	\$ 231,075	\$ 80,830	\$ -	\$ 311,905

As a result of the decline in the Bitcoin price during the year, the Company performed an evaluation of the recoverable amount of its miners as at December 31, 2022. During fiscal 2023, the Company decided to exit the bitcoin market due to the depressed Bitcoin prices at the time, and the Company performed an evaluation of the recoverable amount of its miners as at December 31, 2023. The recoverable amount of the data miners was determined based on the higher of the value in the use and fair value less costs of disposal calculation, based on specific judgement and assumptions. The fair value less costs to sell determined the recoverable amount. As a result, the Company recorded an impairment charge over its miners and related electrical equipment of \$nil (year ended December 31, 2023 - \$763,117). The impairment was based on an assessment of the performance of the data miners in relation to prevailing replacement costs and the downturn of the prices of the Company's digital currencies and the fair value of the data miners was based on quote prices of global ASIC marketplace (level 2).

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7. Intangible assets

The Company is currently developing an artificial intelligence to enhance the BlueskyINTEL platform.

Cost	Under development	Total
Balance, December 31, 2023	\$ -	\$ -
Additions	820,387	820,387
Balance, June 30, 2024	\$ 820,387	\$ 820,387

During the six months ended June 30, 2024, officers and directors provided \$293,787 (2023: \$nil) related to the development of the intangible asset.

8. Right-of-use assets

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

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 100,819	\$ 161,485
Depreciation	(30,333)	(60,666)
Balance, end of period	\$ 70,486	\$ 100,819

9. Lease liabilities

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

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$ 105,813	\$ 170,313
Interest expense	3,711	11,384
Lease payments	(37,942)	(75,884)
Balance, end of period	\$ 71,582	\$ 105,813

	June 30, 2024	December 31, 2023
Short-term lease expense	\$ 69,855	\$ 69,855
Long-term leases liabilities	1,727	35,958
Total	\$ 71,582	\$ 105,813

	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Buildings	\$ 69,855	\$ 1,727	\$ -	\$ -	\$ 71,582
Total	\$ 69,855	\$ 1,727	\$ -	\$ -	\$ 71,582

As at June 30, 2024, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is \$75,884.

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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10. Investments

	June 30, 2024		December 31, 2023	
	Number of shares	Estimated fair market value	Number of shares	Estimated fair market value
Workspport Ltd.	13,561	\$ 14,459	13,561	\$ 26,724
Cheetah Canyon Resources Corp.	1,698,850	-	1,698,850	-
Chess Supersite Corp	300,000	944	300,000	714
Eastwest Bioscience Inc.	658,182	46,073	658,182	16,455
Astro Airspace Ltd	500,000	-	500,000	-
Hemp Inc.	24,000,000	-	24,000,000	6,348
Total		\$ 61,476		\$ 50,241
Classification				
Short-term investments		\$ 61,476		\$ 50,241
Long-term investments		-		-
Total		\$ 61,476		\$ 50,241

11. Accounts payable and accrued liabilities

	June 30, 2024	December 31, 2023
Trade and other payables	\$ 157,645	\$ 97,605
Accrued liabilities	437,092	446,092
	\$ 594,737	\$ 543,697

12. Warrant liability

The Company has completed the following issuances of warrants:

Closing date	October 13, 2021
Warrants issued (note 14)	1,439,646
Warrants exercised	\$ 0.430
Fair value of warrants issued	\$ 0.270
Warrant term	60 months

Details related to the warrant liability are summarized below.

	Number of warrants	Amount
Balance, December 31, 2022 (note 14)	1,439,650	\$ 162,156
Fair value adjustment	-	(15,280)
Balance, December 31, 2023	1,439,650	146,876
Fair value adjustment	-	135,527
Balance, June 30, 2024	1,439,650	\$ 282,403

Bluesky Digital Assets Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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12. Warrant liability (continued)

The Black-Scholes model and the inputs used in determining the values of the warrants as at June 30, 2024 and December 31, 2023 are as follows:

	June 30, 2024	December 31, 2023
Common share market price	\$ 0.065	\$ 0.210
Weighted average risk free interest rate	3.990 %	3.670 %
Estimated common share weighted average price volatility	191.30 %	156.80 %
Expected dividend yield	nil %	nil %
Estimated weighted average life in years	2.29	2.79

13. Loans payable

	June 30, 2024	December 31, 2023
Balance, beginning of year	\$ 60,000	\$ 94,962
Proceeds from loans payable	150,000	225,000
Equity component of convertible loans payable	-	(35,431)
Interest on loan	25,966	1,572
Repayment - other loans	(125,000)	(228,625)
Accretion	-	2,522
Balance, end of period	\$ 110,966	\$ 60,000

Classification	June 30, 2024	December 31, 2023
Short-term loans payable	\$ 110,966	\$ 60,000
Long-term loans payable	-	-
Total loans payable	\$ 110,966	\$ 60,000

Canada Emergency Business Account (CEBA) loan

During the year ended December 31, 2020, the Company received in Canada Emergency Business Account (CEBA), funded by the Federal Government. Starting January 18, 2024, the loan will be automatically renewed until December 31, 2026 at an interest rate of 5%.

Other loans payable

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

Upon the receipt of the loan amount, the Company issued 238,095 common shares (Note 14). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of \$15,038 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$34,962 was computed as the present value of future principal and interests, discounted at a rate of 35%.

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

Other loans payable (continued)

During the year ended December 31, 2023, the Company settled the loans in cash of \$1,750 and by issuing 230,026 shares for the remaining amount of \$48,398.

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

Upon the receipt of the loan amount, the Company issue 238,095 common shares (Note 14). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of \$15,038 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$34,962 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the year ended December 31, 2023, the Company repaid \$2,625 in cash on the loans and settled the remaining amount of \$48,398 by issuing 230,026 shares.

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

Upon the receipt of the loan amount, the Company issued 119,048 common shares (Note 14). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of \$7,519 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$17,481 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the year ended December 31, 2023, the Company settled the loans by issuing 119,048 shares for the outstanding amount of \$25,000.

During the year ended December 31, 2023, the Company borrowed \$150,000 from an unrelated party. The loans bears interest of 15% per annum. The Company has the option to pay off the loan by issuing common stock based on the current market of the stock, but not the interest. The Company agreed to pay interest of \$4,750 per month.

Upon the receipt of the loan amount, the Company issued 782,857 common shares (Note 14). The Company used the residual value method to allocate the principal amount of the loan payable between the liability and the equity component. Under this method, an amount of \$12,874 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of \$137,126 was computed as the present value of future principal and interests, discounted at a rate of 35%.

During the year ended December 31, 2023, the Company settled the loans by issuing 428,571 shares for the outstanding amount of \$150,000.

On February 16, 2024, the company entered into a loan agreement whereby it can borrow up to \$300,000 in multiple tranches. The lending rate for any funds drawn from the facility has been set to 15% per annum with the repayment to occur within 24 months after any funds have been drawn upon. In accordance with the loan agreement the Company withdrew the first tranche of \$100,000, and on May 17, 2024, the Company withdrew an additional \$50,000.

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

Other loans payable (continued)

During the six months ended June 30, 2024, the Company settled the first tranche of \$100,000 by issuing 714,286 common shares with a fair value of \$125,000 on the date of settlement for the principal and interest (note 14(b)(iii)).

14. Share capital

As at June 30, 2024, the Company's authorized share capital consists of unlimited number of voting common shares, 941,594 non-voting, cumulative, "Class – A" preferred shares and "Class – B" preferred shares that are redeemable at the option of the Company at fair value.

On June 7, 2024, the Company completed a 7:1 shares consolidation on its common shares. All share quantities and share prices in these financial statements are stated based on their post-consolidation values, unless otherwise specified.

a) Preferred shares

Class A	Number of preferred shares	Amount
Balance, December 31, 2022, June 30, 2023, December 31, 2023 and June 30, 2024	493,020	\$ 2,042,185

Preferred shares to be registered

During the year ended December 31, 2020, the Company repurchased its own Class – A preferred shares from a related party through a series of multiple transactions. As at December 31, 2018 the Company had paid \$52,567 to be applied to preferred shares, which was included in other receivables. During fiscal 2020, an additional \$24,000 in cash was paid, along with issuance of 513,400 common shares with a value of \$51,330, and forgave the balance of a note receivable from an entity controlled by the related party in the amount of \$225,160. In exchange for all of these amounts, the Company received 26,500 preferred shares, with a value of \$353,057. The preferred shares certificates have been physically received but had not yet been registered back into the Company's name and are therefore held in a separate account within equity at June 30, 2024.

Class B	Number of shares	Amount
Balance, December 31, 2022, June 30, 2023, December 31, 2023 and June 30, 2024	1,250	\$ 12,500

b) Common shares

	Number of common shares	Amount
Balance, December 31, 2022	9,608,354	\$ 21,341,453
Common shares issued (i)	2,107,143	663,750
Cost of issue	-	(72,858)
Common shares issued for debt (ii) and note 13	6,754,045	1,824,170
Balance, June 30, 2023	18,469,542	\$ 23,756,515

Bluesky Digital Assets Corp.
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14. Share capital (continued)

	Number of common shares	Amount
Balance, December 31, 2023	20,878,471	\$ 24,491,189
Common shares issued for debt (iii) and note 13	46,294,256	1,036,306
Balance, June 30, 2024	67,172,727	\$ 25,527,495

(i) Common shares issued - 2023

During the six months ended June 30, 2023, the Company closed a non-brokered private placement of 2,107,143 Units at a price of \$0.32 per Unit for aggregate gross proceeds of \$663,750. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles its holder to purchase one additional Common Share at an exercise price of \$0.46 per Common Share for a period of 24 months from the date of issue ("Closing Date"). In the event that, during the period following 24 months from the Closing Date, the volume-weighted average trading price of the Common Shares exceeds \$0.91 per Common Share for any period of 10 consecutive trading days, the Company may, at its option, following such 10-day period, accelerate the expiry date of the Warrants by issuing a press release (a "Warrant Acceleration Press Release"), and, in such case, the expiry date of the Warrants shall be deemed on the 30th day following the date of issuance of the Warrant Acceleration Press Release.

In connection with the financing, the Company paid a cash commission of \$10,260, and paid legal and other fees of \$56,840. The Company issued 21,143 warrants to brokers. Each Warrant entitling the holder thereof the ability to purchase one additional Common Share of the Company at an exercise price of \$0.46 using the Black-Scholes option pricing model with the following assumptions: expected volatility between 153%; a risk-free interest rate between 3.73%; share price at the date of the grant was between \$0.39; an expected dividend yield of Nil%; and 24 months expected term.

(ii) Common shares issued for debt - 2023

The Company issued 4,442,161 common shares, as per agreements for the total accounts payable for services and compensation for the total debt \$1,268,088 related parties. The shares closing price on the date of issuance was \$0.21 per share. Therefore, the fair value of the transaction recorded in equity is \$1,425,644 and a loss on shares of \$157,556 was recorded in the unaudited condensed consolidated interim statements of loss.

The Company issued 1,010,384 common shares, for settlement of \$272,335 as per loan agreements (note 13(i)). The shares closing price on the date of issuance was \$0.21 to \$0.35 per share. Therefore, the fair value of the transaction recorded in equity is \$329,196 and a loss on shares of \$56,861 was recorded in the unaudited condensed consolidated interim statements of loss.

(iii) Common shares issued for debt - 2024

The Company issued 4,579,970 common shares, as per agreements for the total accounts payable for services and compensation for the total debt \$911,306. The shares closing price on the date of issuance was \$0.16 to \$0.35 per share.

The Company issued 714,286 common shares, for settlement of \$125,000 of interest and principal (note 13). The shares closing price on the date of issuance was \$0.18 per share. Therefore, the fair value of the transaction recorded in equity is \$329,196 and a loss on shares of \$56,861 was recorded in the unaudited condensed consolidated interim statements of loss.

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15. Warrant reserve

	Number of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2022	4,452,211	\$ 3,957,626	\$ 2.52
Issued (notes 14 and (i))	3,378,286	272,633	0.42
Balance, June 30, 2023	7,830,497	\$ 4,230,259	\$ 1.75
Balance, December 31, 2023	6,780,100	\$ 4,016,491	\$ 1.75
Expired	(1,213,129)	(2,750,446)	(4.61)
Balance, June 30, 2024	5,566,971	\$ 1,266,045	\$ 1.22

(i) On June 23, 2023, the Company granted 1,250,000 bonus warrants to officers and consultants at an exercise price of \$0.35 for a period of 3 years from the date of issuance. The estimated fair value of the warrants at the grant date was \$372,750 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model were as follows: dividend yield 0%, expected annual volatility of 163%, risk free rate of return of 4.25% and an expected life of 3 years. Share price at the date of the grant was \$0.35.

The following table reflects the warrants issued and outstanding as of June 30, 2024:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Warrants Outstanding	Grant date Fair Value (\$)
December 30, 2024	2.800	0.50	329,714	-
January 7, 2025	2.800	0.52	739,371	183,492
January 10, 2025	2.800	0.53	142,857	10,000
January 11, 2025	2.800	0.53	288,571	-
January 11, 2025	0.245	0.53	285,714	405,661
January 18, 2025	2.800	0.55	271,857	63,246
February 1, 2025	2.800	0.59	15,429	4,900
April 24, 2025	0.455	0.82	301,143	5,758
May 25, 2025	0.455	0.90	1,827,143	-
June 23, 2026	0.350	1.98	1,250,000	372,750
September 29, 2026	2.821	2.25	115,172	220,238
	1.223	0.96	5,566,971	1,266,045

16. Contributed surplus

Employee share option plan

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

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16. Contributed surplus (continued)

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

	Number of stock options	Fair value of stock options	Weighted average exercise price
Balance, December 31, 2022 and June 30, 2023	694,167	\$ 2,648,042	\$ 2.31
Balance, December 31, 2023	651,309	\$ 2,611,042	\$ 2.03
Expired	(617,856)	(2,446,639)	(1.47)
Balance, June 30, 2024	33,453	\$ 164,403	\$ 5.43

The following table reflects the stock options issued and outstanding as of June 30, 2024:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Options Outstanding and Exercisable	Estimated fair value at grant date
September 4, 2024	4.20	0.18	11,905	38,000
October 18, 2024	1.05	0.30	9,048	12,743
May 5, 2026	10.08	1.85	10,119	98,160
June 19, 2027	8.40	2.97	2,381	15,500
	5.43	2.66	33,453	164,403

17. General and administrative

	Three months ended June 30,		Six Months ended June 30,	
	2024	2023	2024	2023
Other items				
Management fees (note 19)	\$ 69,837	\$ 117,995	\$ 88,657	\$ 264,419
Loan interest and fees	27,059	3,338	29,677	8,235
Consulting and other professional fees (note 19)	23,564	90,243	42,128	106,346
General and administration	1,785	2,187	7,840	12,285
Marketing and investor relations	19,364	917,837	47,372	985,948
Legal and audit	6,250	74,927	12,500	276,555
Transfer agent and filing fees	20,713	15,148	33,688	35,333
Non-recoverable input tax credits	-	92,387	-	175,253
Total general and administrative	\$ 168,572	\$ 1,314,062	\$ 261,862	\$ 1,864,374

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18. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2024, was based on the loss attributable to common shareholders of \$285,491 and \$418,428, respectively (three and six months ended June 30, 2023 - \$1,559,280 and \$2,556,625, respectively) and the weighted average number of common shares outstanding of 25,161,207 and 23,553,601, respectively (three and six months ended June 30, 2023 - 15,213,133 and 10,784,036, respectively). Diluted loss per share did not include the effect of 5,566,971 warrants or 33,453 stock options for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - 7,830,497 warrants or 694,167 stock options) as their effect is anti-dilutive.

19. Related party transactions

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

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

	Three Months		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Management fees	\$ 89,568	\$ 76,495	\$ 282,487	\$ 192,919
Consulting and other professional fees	2,438	30,564	48,684	46,246
Share-based payments	-	266,875	-	266,875
	\$ 92,006	\$ 373,934	\$ 331,171	\$ 506,040

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