AUDIT 2024

bluesky
DIGITAL ASSETS

CONSOLIDATED FINANCIAL STATEMENTS FOR YEARS ENDED DECEMBER 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

April 30, 2025

www.blueskydigitalassets.com

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Independent Auditors' Report

To: The Shareholders of **Bluesky Digital Assets Corp.**

Opinion

We have audited the consolidated financial statements of Bluesky Digital Assets Corp. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that at December 31, 2024 the Company had a deficit of $38,816,152. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and not otherwise addressed in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined that there are no key audit matters to be communicated in our auditors' report.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this Independent Auditors' report is Roland A. Bishop, CPA, CA.

Kenway Mack Slusarchuk Stewart LLP

April 30, 2025
Calgary, Alberta

Chartered Professional Accountants

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

As at,	**December 31, 2024**	December 31, 2023
ASSETS		
Current		
Cash	**$ 1,275,463**	$ 98,578
Other receivables (note 5)	**229,819**	208,476
Prepaid expenses	**72,859**	100,505
Investments (note 12)	**35,011**	50,241
Digital currencies (note 6)	**-**	1,474
Total current assets	**1,613,152**	459,274
Non-current assets		
Property, plant and equipment (note 7)	**-**	319,997
Right of use assets (note 9)	**-**	100,819
Total assets	**$ 1,613,152**	$ 880,090
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 11)	**$ 237,696**	$ 543,697
Lease liability (note 10)	**-**	69,855
Loans payable (note 14)	**114,685**	60,000
Total current liabilities	**352,381**	673,552
Non-current liabilities		
Lease liability (note 10)	**-**	35,958
Warrant liability (note 13)	**357,316**	146,876
Total liabilities	**709,697**	856,386
SHAREHOLDERS' EQUITY		
Share capital (note 15)	**29,700,576**	26,192,817
Contributed surplus (note 17)	**9,534,509**	6,005,652
Warrants (note 16)	**484,522**	4,016,491
Digital currency revaluation reserve	**-**	80,931
Deficit	**(38,816,152)**	(36,272,187)
Total shareholders' equity	**903,455**	23,704
Total liabilities and shareholders' equity	**$ 1,613,152**	$ 880,090

Description of business and going concern (note 1)
Subsequent event (note 25)

"Frank Kordy", Director

"Ben Gelfand", Director

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

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

	December 31, 2024	2023
Cost of revenue		
Site operating costs	**$ (28,236)**	$ (59,788)
Depreciation	**(45,499)**	(60,666)
Gross loss	**(73,735)**	(120,454)
Operating expenses		
General and administration (note 18)	**820,358**	3,164,770
Share-based payments (notes 15 and 16)	**100,425**	372,750
Software development expenses (note 8)	**1,613,053**	-
Total operating expenses	**(2,533,836)**	(3,537,520)
Net operating loss	**(2,607,571)**	(3,657,974)
Other items		
Loss on investments	**(15,230)**	1,565
Foreign exchange loss	**(5,964)**	(86)
Accretion	**-**	(51,152)
(Loss) gain on disposal of assets	**(99,098)**	168,476
(Loss) gain on settlement of payables	**(22,000)**	235,157
Gain (loss) on write down of debt	**375,105**	(10,095)
(Loss) gain on revaluation of warrant liability (note 13)	**(210,440)**	15,280
Impairment of property, plant and equipment (note 7)	**-**	(763,117)
Termination of lease (note 10)	**(39,698)**	-
Net loss for the year	**$ (2,624,896)**	$ (4,061,946)
Other comprehensive income		
Items that will not be reclassified subsequently to income		
Revaluation of digital currencies	**-**	486
Other comprehensive income for the year	**-**	486
Total loss and comprehensive loss for the year	**$ (2,624,896)**	$ (4,061,460)
Net loss and comprehensive loss per share - basic and diluted (note 19)	**$ (0.11)**	$ (0.25)
Weighted average number of common shares outstanding - basic and diluted (note 19)	**24,521,399**	16,404,781

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

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

	December 31, 2024	December 31, 2023
Operating activities		
Loss for the year	**$ (2,624,896)**	$ (4,061,946)
Items not affecting cash:		
Depreciation	**45,499**	61,506
Common shares issued for services and compensation (note 17)	**1,922,306**	2,217,179
Share-based payments	**100,425**	378,508
Impairment of property, plant and equipment	**-**	763,117
Shares costs related to financing	**(268,933)**	-
Loss on revaluation of warrant liability	**210,440**	(15,280)
Loss on investments	**15,230**	(1,565)
(Gain) loss on disposal of assets	**99,098**	(168,476)
Interest on loan and leases	**19,733**	13,284
Accretion	**-**	51,152
Termination of lease	**39,698**	-
Unrealised foreign exchange (gain)	**-**	680
Loss (gain) on settlement of payables	**22,000**	(235,157)
Gain on accounts payable write down and debt forgiveness	**(391,105)**	10,095
Changes in non-cash working capital items:		
Other receivables	**(23,843)**	(201,713)
Prepaid expenses	**21,322**	134,357
Accounts payable and accrued liabilities	**192,226**	(212,508)
Net cash used in operating activities	**(620,800)**	**(1,266,767)**
Financing activities		
Lease payments paid	**(56,913)**	(75,884)
Proceeds from loans	**150,000**	219,750
Proceeds from issuance of common shares (net of issuance cost paid of $3,500 for 2024 and $33,200 for 2023)	**239,000**	624,794
Proceeds from the exercise of warrants	**1,253,849**	-
Net cash provided by financing activities	**1,585,936**	**768,660**
Investing activities		
Proceeds from sale of equipment	**211,749**	364,974
Net cash provided by investing activities	**211,749**	**364,974**
Increase (decrease) in cash	**1,176,885**	(133,133)
Cash, beginning of year	**98,578**	231,711
Cash, end of year	**$ 1,275,463**	$ 98,578

Supplemental information		
Shares issued for financing services	**$ 268,933**	-
Broker warrants issued	**$ 3,500**	-

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

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

	Share capital								
	Preferred shares $	Preferred shares to be registered $	Common shares $	Total Share capital $	Contributed Surplus $	Warrants $	Digital Currency revaluation reserve $	Deficit $	Total $
Balance, December 31, 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	-	-	2,160,317	2,160,317	-	-	-	-	2,160,317
Shares issued for debt and financing	-	-	398,527	398,527	-	-	-	-	398,527
Warrants expired	-	-	-	-	319,643	(319,643)	-	-	-
Share-based compensation	-	-	-	-	-	378,508	-	-	378,508
Revaluation of digital currency net of tax	-	-	-	-	-	-	486	-	486
Net loss for the year	-	-	-	-	-	-	-	(4,061,946)	(4,061,946)
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**
Private placement	-	-	235,500	235,500	-	3,500	-	-	239,000
Share-based compensation	-	-	-	-	-	100,425	-	-	100,425
Warrant exercises	-	-	1,360,886	1,360,886	-	(107,037)	-	-	1,253,849
Shares issued for services	-	-	2,070,306	2,070,306	-	-	-	-	2,070,306
Shares issued for debt and financing	-	-	110,000	110,000	-	-	-	-	110,000
Share issuance costs	-	-	(268,933)	(268,933)	-	-	-	-	(268,933)
Warrant expiry	-	-	-	-	3,528,857	(3,528,857)	-	-	-
Dispoition of digital currency	-	-	-	-	-	-	(80,931)	80,931	-
Net loss for the year	-	-	-	-	-	-	-	(2,624,896)	(2,624,896)
Balance, December 31, 2024	**2,054,685**	**(353,057)**	**27,998,948**	**29,700,576**	**9,534,509**	**484,522**	**-**	**(38,816,152)**	**903,455**

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

1. Description of business, going concern

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

On June 7, 2024, the Company completed a 7:1 share 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 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.

The consolidated financial statements of the Company for the years ended December 31, 2024 and 2023 were approved and authorized for issuance in accordance with a resolution of the board of directors on April 30, 2025.

Going concern

The Company incurred a net loss during the year ended December 31, 2024 of $2,624,896 (2023 - $4,061,946) and had an accumulated deficit of $38,816,152 (December 31, 2023 - $36,272,187). As at December 31, 2024, the Company had a working capital surplus of $1,260,771 (December 31, 2023 - working capital deficit of $214,278). These conditions indicate material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

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 consolidated 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 consolidated 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 consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

Basis of measurement

These consolidated 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 consolidated financial statements. These consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These consolidated 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 consolidated 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 these 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

3. Material accounting policies

Software Development Costs

Research and development costs are generally expensed as incurred. The Company may capitalize certain development costs incurred in connection with its internal use software. The Company expenses costs in the preliminary stages of development and may capitalize direct and incremental costs through technological feasibility, in which capitalization ceases once the additional features and functionality are put into service.

Cash

Cash is comprised of bank balances and are primarily held in Canadian dollars.

3. Material accounting policies (continued)

Property, plant and equipment

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized based on the cost of an item, less its estimated residual value, over its estimated useful life at the following rates:

	Percentage/Period	Method
Equipment	20%	Straight-line
Computers	55%	Straight-line
Data miners	33% to 50%	Straight-line

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Residual values, method of depreciation and useful lives of the assets are reviewed at least at each financial year end and adjusted prospectively, if appropriate. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other items in profit or loss.

Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

3. Material accounting policies (continued)

Leases (continued)

Right-of-use assets are initially measured at cost, which includes the initial amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term or recorded in profit or loss if the right-of-use asset is reduced to zero.

Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm’s length transaction between knowledgeable, willing parties, less the cost of disposal. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

3. Material accounting policies (continued)

Financial instruments

Financial assets and liabilities are classified into one of the following categories based on the purpose for which the asset was acquired or for which the liability was incurred:

Financial assets:	**Classification:**
Cash	Amortized cost
Other receivables	Amortized cost
Investments	FVTPL

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Warrant liability	FVTPL

Financial assets

Under IFRS 9, financial assets are classified into one of the following categories:
- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through the consolidated statement of loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company initially measures financial assets (except for those classified as fair value through profit or loss) at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in the consolidated statement of loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset.

There are three measurement categories into which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized using the effective interest method. Foreign exchange gains and losses as well as any gain or loss arising on derecognition are recognized in the consolidated statement of loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in the consolidated statement of loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statement of loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset that is subsequently measured at FVTPL is recognized in the consolidated statement of loss.

3. Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment

Under IFRS 9, the Company assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since the initial recognition of the respective financial instruments. The Company considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

At each financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and, if any, FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has deteriorated significantly since initial recognition and whose credit risk is low.

Financial liabilities

Under IFRS 9, the Company's financial liabilities are classified into one of the two categories: at FVTPL or at amortized cost.

- FVTPL: Financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial liabilities held at FVTPL are recognized in the consolidated statement of loss in the period in which they arise, except for changes in fair value resulting from an entity's own credit risk which are recognized in other comprehensive loss.
- Financial liabilities at amortized cost: Financial liabilities carried at amortized cost are initially recognized at fair value and subsequently carried at amortized cost by using the effective interest method.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the risk and rewards of the financial asset are substantially transferred.

3. Material accounting policies (continued)

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share capital

Share capital represents the amount received on the issue of shares. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. If shares are issued when options and warrants and conversion options are exercised, the share capital account also comprises the costs previously recorded as contributed surplus or warrants. In addition, if shares are issued as consideration for the acquisition of some non-monetary assets, they are measured at their fair value according to the quoted price on the day of the issuance of the shares.

Preferred shares are classified as equity if it is non-renewable or redeemable only at the Company’s option and dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval of the Company’s shareholders.

Unit placements

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants using the residual method with the fair value attributed to the common shares based on the quoted market and the residual being allocated to the warrants.

Other elements of equity

Warrants included charges related to warrants. When warrants are exercised the related compensation is transferred to share capital. When the warrants expire the corresponding charges are transferred to contributed surplus. Contributed surplus includes charges related to stock options until such equity instruments are exercised. When stock options are exercised corresponding compensation costs are transferred to share capital.

Deficit includes all current and prior year retained profits or losses.

Digital currency revaluation reserve includes gains and losses from the revaluation of digital currencies, net of tax.

3. Material accounting policies (continued)

Loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The calculation of diluted earnings per share assumes that outstanding stock options and warrants with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price for the period.

Diluted loss per share equals basic loss per share given the anti-dilutive options and warrants for 2024 and 2023.

Share-based transactions

The fair values of share options granted to employees are recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Segment reporting

The Company has one reportable segment; digital asset mining and all revenues are in United States of America. Revenues have been identified on the basis of the data miner’s geographical location.

The Company's non-current assets are located in the following geographic regions:

	December 31, 2024 Non-current assets	**December 31, 2023 Non-current assets**
Canada	**$ -**	189,741
USA	**-**	231,075
	$ -	$ 420,816

3. Material accounting policies (continued)

Adoption of new accounting policies

During the year ended December 31, 2024, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have a material impact on the Company's financial statements.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument.

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

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for annual periods beginning on or after January 1, 2025 or later periods. The Company is currently evaluating the impact of the adoption of these new standards on its financial statements and will adopt these pronouncements as of their effective date.

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to asses the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of nonrecourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

4. Critical accounting estimates and judgments

The preparation of these 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.

Critical accounting judgments

The following are the judgments made by management in applying the accounting policies of the Company that have the most significant effect on these consolidated financial statements.

Going concern

The assessment of the Group's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in Note 1.

Critical accounting estimates

Impairment of non-financial assets

Impairment of data miners was estimated based on the recoverable amount of mining equipment based on current market prices and hash rate power per miner type. Hash rate power refers to the computational power of the mining equipment, which directly affects the mining efficiency and potential revenue generation. As the market prices for mining equipment and hash rate power can vary significantly over time, these factors are considered in estimating the recoverable amount of the assets. The current market prices for mining equipment are obtained from various sources, including manufacturers, distributors, and marketplaces for used equipment. Management reviews and compares these prices regularly to ensure the accuracy and relevance of the data.

Warrant liability

The Company 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.

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 behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Please refer to Note 24.

(Expressed in Canadian Dollars)

5. Other receivables

	December 31, 2024	December 31, 2023
Other receivables	**$ 51,244**	$ 1,286
Funds held in trust by related parties	**178,575**	207,190
Total other receivable	**$ 229,819**	$ 208,476

6. Digital currencies

The continuity of digital currencies was as follows:

	Number of Ethereum	**Amount**
Balance, December 31, 2023	**1**	$ 1,474
Disposal of digital currencies	**(1)**	(1,474)
Balance, December 31, 2024	**-**	$ -

7. 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	(4,469,041)	(845,745)	(6,547)	(5,321,333)
Balance, December 31, 2024	**$ -**	**$ -**	**$ -**	**$ -**

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	**(4,237,966)**	(756,823)	(6,547)	(5,001,336)
Balance, December 31, 2024	**$ -**	**$ -**	**$ -**	**$ -**

Carrying amount	**Data miners**	**Equipment**	**Computers**	**Total**
Balance, December 31, 2023	**$ 231,075**	**$ 88,922**	**$ -**	**$ 319,997**
Balance, December 31, 2024	**$ -**	**$ -**	**$ -**	**$ -**

During fiscal 2024, the Company either disposed of or sold the remainder of it's data miners and equipment. 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).

(Expressed in Canadian Dollars)

8. Software development expenses

Costs incurred for research and development activities include consulting services in order to develop an artificial intelligence to enhance the BlueskyINTEL platform. The Company allocates consulting expenses from third party vendors, and consulting fees from management who devote time to the project.

During the year ended December 31, 2024, officers and directors provided $463,287 (2023: $nil) related to the development of the BlueskyINTEL platform.

9. Right-of-use assets

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

	December 31, 2024	December 31, 2023
Balance, beginning of year	**$ 100,819**	$ 161,485
Depreciation	**(45,499)**	(60,666)
Termination of lease	**(55,320)**	-
Balance, end of year	**$ -**	$ 100,819

10. Lease liabilities

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

	December 31, 2024	December 31, 2023
Balance, beginning of year	**$ 105,813**	$ 170,313
Interest expense	**5,048**	11,384
Lease payments	**(56,913)**	(75,884)
Termination of lease	**(53,948)**	-
Balance, end of year	**$ -**	$ 105,813

	December 31, 2024	December 31, 2023
Short-term lease expense	**$ -**	$ 69,855
Long-term leases liabilities	**-**	35,958
Total	**$ -**	$ 105,813

11. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
Trade and other payables	**$ 171,691**	$ 97,605
Accrued liabilities	**66,005**	446,092
	$ 237,696	$ 543,697

(Expressed in Canadian Dollars)

12. Investments

	December 31, 2024		December 31, 2023	
	Number of shares	**Estimated fair market value**	**Number of shares**	**Estimated fair market value**
Worksport Ltd.	13,561	$ 17,952	13,561	$ 26,724
Cheetah Canyon Resources Corp.	1,698,850	-	1,698,850	-
Chess Supersite Corp	300,000	604	300,000	714
Eastwest Bioscience Inc.	658,182	16,455	658,182	16,455
Astro Airspace Ltd	500,000	-	500,000	-
Hemp Inc.	24,000,000	-	24,000,000	6,348
Total		**$ 35,011**		**$ 50,241**
Classification				
Short-term investments		$ 35,011		$ 50,241
Long-term investments		-		-
Total		**$ 35,011**		**$ 50,241**

13. Warrant liability

The Company has completed the following issuances of warrants:

Closing date	October 13, 2021
Warrants issued (note 15)	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 1 and 15)	**1,439,650**	**$ 162,156**
Fair value adjustment	-	(15,280)
Balance, December 31, 2023 (note 1**)**	**1,439,650**	**146,876**
Fair value adjustment	-	210,440
Balance, December 31, 2024	**1,439,650**	**$ 357,316**

The Company recorded a non-cash loss on the revaluation of warrant liability of $210,440 during the year ended December 31, 2024 (year ended December 31, 2023 - gain of $15,280).

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

	December 31, 2024	December 31, 2023
Common share market price	**$ 0.040**	$ 0.210
Weighted average risk free interest rate	**2.910 %**	3.670 %
Estimated common share weighted average price volatility	**171.20 %**	156.80 %
Expected dividend yield	**nil %**	nil %
Estimated weighted average life in years	**2.04**	2.79

(Expressed in Canadian Dollars)

14. Loans payable

		December 31, 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		**14,685**		1,572
Repayment - other loans		**(110,000)**		(228,625)
Accretion		**-**		2,522
Balance, end of year	**$**	**114,685**	$	60,000

Classification		December 31, 2024		December 31, 2023
Short-term loans payable	**$**	**114,685**	$	60,000
Long-term loans payable		**-**		-
Total loans payable	**$**	**114,685**	$	60,000

Canada Emergency Business Account (CEBA) loan

During the year ended December 31, 2020, the Company received $60,000 in Canada Emergency Business Account (CEBA), funded by the Federal Government of Canada. Starting January 18, 2024, the loans 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 15). The Company used the residual value method to allocate the principal amount of the loans payable between the liability and the equity component. Under this method, an amount of $15,038 to the equity issued were recorded in consolidated statements of changes in equity. The fair value of the liability component of $34,962 was computed as the present value of future principal and interests, discounted at a rate of 35%.

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

During the 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.

14. Loans payable (continued)

Other loans payable (continued)

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

During the 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 15). 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.

During the year ended December 31, 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)).

15. Share capital

As at December 31, 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 share 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.

(Expressed in Canadian Dollars)

15. Share capital (continued)

a) Preferred shares

Class A	**Number of preferred shares**	**Amount**
Balance, December 31, 2022, December 31, 2023 and December 31, 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.

Class B	**Number of shares**	**Amount**
Balance, December 31, 2022, December 31, 2023 and December 31, 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 14	9,162,953	1,824,170
Balance, December 31, 2023	**20,878,450**	**$ 24,491,189**
Common shares issued	4,850,000	242,500
Cost of issue	-	(275,933)
Common shares issued for debt (iii) and note 14	22,799,970	2,070,306
Warrants exercised	9,865,712	1,360,886
Common shares issued for financing loans	714,286	110,000
Balance, December 31, 2024	**59,108,418**	**$ 27,998,948**

(i) Common shares issued - 2023

During the year ended December 31, 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.

15. Share capital (continued)

b) Common shares (continued)

(i) Common shares issued - 2023

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 7,795,426 common shares, as per agreements for the total accounts payable for services and compensation for the total debt $2,261,849 related parties. The shares closing price on the date of issuance was $0.21 to $0.35 per share.

The Company issued 1,010,384 common shares, for settlement of $272,335 as per loan agreements (note 14(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 $274,438 and a loss on shares of $2,258 was recorded in the consolidated statements of loss.

The Company issued in aggregate 357,143 common shares for debt issuances costs for various loans issued throughout the year ended December 31, 2023 (note 14) with an estimated value of $22,557.

Included in the above paragraphs, are an aggregate of 1,967,976 common shares with an estimated fair value of $804,900 to compensate for services provided by a consultant, a former consultant, a former officer, a former director and officers of the Company.

(iii) Common shares issued for debt - 2024

The Company issued 22,799,970 common shares, as per agreements for the total accounts payable for services and compensation for the total debt $2,070,306. The shares closing price on the date of issuance was $0.05 to $0.35 per share.

The Company issued 714,286 common shares, for settlement of $115,000 of interest and principal (note 14). The shares closing price on the date of issuance was $0.18 per share.

(iv) Common shares issued - 2024

During the year ended December 31, 2024, the Company closed a non-brokered private placement of 4,850,000 Units at a price of $0.05 per Unit for aggregate gross proceeds of $242,500. Each Unit consists of one common share of the Company (a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles its holder to purchase one additional Common Share at an exercise price of $0.065 per Common Share for a period of 24 months from the date of issue (“Closing Date”). In the event that, during the period following 24 months from the Closing Date, the volume-weighted average trading price of the Common Shares exceeds $0.13 per Common Share for any period of 10 consecutive trading days, the Company may, at its option, following such 10-day period, accelerate the expiry date of the Warrants by issuing a press release (a “Warrant Acceleration Press Release”), and, in such case, the expiry date of the Warrants shall be deemed on the 30th day following the date of issuance of the Warrant Acceleration Press Release.

(Expressed in Canadian Dollars)

15. Share capital (continued)

b) Common shares (continued)

(iv) Common shares issued - 2024 (continued)

In connection with the financing, the Company paid a cash commission of $3,500. The Company issued 70,000 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 $0.065 using the Black-Scholes option pricing model with the following assumptions: expected volatility of 185.3%; a risk-free interest rate of 3.27%; share price at the date of the grant was between $0.06; an expected dividend yield of Nil%; and 24 months expected term.

The Company also issued 2,247,804 common shares related to issuances for services and financing services with a fair value of $268,933.

16. 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 15 and (i))	3,378,286	378,508	0.42
Expired	(1,050,397)	(319,643)	1.05
Balance, December 31, 2023	**6,780,100**	**$ 4,016,491**	**$ 1.75**
Issued (notes 16(ii))	8,170,000	103,925	0.065
Expired	(3,078,557)	(3,528,857)	(2.28)
Exercised	(9,865,714)	(107,037)	(0.13)
Balance, December 31, 2024	**2,005,829**	**$ 484,522**	**$ 2.30**

(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.

(ii) On July 12, 2024, the Company granted 3,250,000 bonus warrants to officers and consultants at an exercise price of $0.05 for a period of 3 years from the date of issuance. The estimated fair value of the warrants at the grant date was $127,240 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model were as follows: dividend yield 0%, expected annual volatility of 171%, risk free rate of return of 3.82% and an expected life of 2 years. Share price at the date of the grant was $0.05.

(Expressed in Canadian Dollars)

16. Warrants reserve (continued)

The following table reflects the warrants issued and outstanding as of December 31, 2024:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Warrants Outstanding	Grant date Fair Value ($)
January 7, 2025	2.800	0.02	739,371	183,492
January 10, 2025	2.800	0.03	142,857	10,000
January 11, 2025	2.800	0.03	288,571	-
January 18, 2025	2.800	0.05	271,857	63,246
February 1, 2025	2.800	0.09	15,429	4,900
April 24, 2025	0.455	0.31	289,715	5,758
May 25, 2025	0.455	0.40	142,857	-
September 29, 2026	2.821	1.75	115,172	220,238
	2.295	**0.20**	**2,005,829**	**487,634**

17. Contributed surplus

<u>Employee share option plan</u>

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

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

	Number of stock options	Fair value of stock options	Weighted average exercise price
Balance, December 31, 2022	**694,167**	**$ 2,648,042**	**$ 2.31**
Expired	(42,858)	(37,000)	(1.75)
Balance, December 31, 2023	**651,309**	**$ 2,611,042**	**$ 2.03**
Expired	(638,809)	(2,497,382)	(1.31)
Balance, December 31, 2024	**12,500**	**$ 113,660**	**$ 9.76**

The following table reflects the stock options issued and outstanding as of December 31, 2024:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Options Outstanding and Exercisable	Estimated fair value at grant date
May 5, 2026	10.08	1.34	10,119	98,160
June 19, 2027	8.40	2.47	2,381	15,500
	9.76	**1.56**	**12,500**	**113,660**

(Expressed in Canadian Dollars)

18. General and administrative

	Year ended December 31, 2024	2023
Management fees (note 20)	**$ 368,105**	$ 995,644
Loan interest and fees	**19,098**	13,284
Consulting and other professional fees (note 20)	**234,590**	212,405
General and administration	**18,521**	28,603
Marketing and investor relations	**50,177**	1,380,704
Travel and accommodations	**-**	589
Legal and audit	**44,275**	274,476
Transfer agent and filling fees	**85,592**	65,275
Non-recoverable input tax credits	**-**	192,950
Depreciation and amortization (note 7)	**-**	840
Total general and administrative	**$ 820,358**	$ 3,164,770

19. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2024, was based on the loss attributable to common shareholders of $2,624,896 (year ended December 31, 2023 - $4,061,946) and the weighted average number of common shares outstanding of 24,521,399 (year ended December 31, 2023 - 16,404,781). Diluted loss per share did not include the effect of 2,005,829 warrants or 12,500 stock options for the year ended December 31, 2024 (year ended December 31, 2023 - 6,780,100 warrants or 651,309 stock options) as their effect is anti-dilutive.

20. 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:

	Year Ended December 31, 2024	2023
Management fees	**$ 792,272**	$ 972,507
Consulting and other professional fees	**117,381**	89,411
Share-based payments	**100,425**	266,875
	$ 1,010,078	$ 1,328,793

21. Capital management

The Company considers its capital to be shareholders' equity, which is comprised of preferred shares, common shares, units to be issued, contributed surplus, warrants and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company's objective when managing capital are:

a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining growth of the Company's business through organic growth and new acquisitions;
b) to give shareholders sustained growth in value by increasing shareholders' equity; while
c) taking a conservative approach towards financial leverage and management of financial risks.

The Company's management reviews its capital structure on an on-going basis and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying investments. The Company's current capital is composed of its shareholders' equity and, to-date, has adjusted or maintained its level of capital by:

a) raising capital through equity financing's; and
b) realizing proceeds from the disposition of its investments

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions. The Company and its subsidiaries is not subject to externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the years ended December 31, 2024 and 2023

22. Financial instruments and fair value risk management

Financial assets and financial liabilities as at December 31, 2024 and 2023 are as follows:

The Company has notes receivable outstanding and a significant portion of the Company's assets and liabilities are currently comprised of financial instruments which can expose it to several risks, including market, liquidity, and credit risks. There have been no changes in the risks, objectives, policies and procedures during the years ended December 31, 2024 and 2023.

The Company is exposed through its operations to the following financial risks:

- Market risk, which include currency risk, other price risk and digital currency risk
- Liquidity risk
- Credit risk

22. Financial instruments and risk management (continued)

Other price risk

The Company is exposed to other price risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company mitigates this risk by attempting to have a portfolio which is not singularly exposed to any one issuer, with exception to the Company having two positions as at December 31, 2024 which made up of approximately 51% and 47% (December 31, 2023 – 53% and 33%) of the total equity portfolio. (See Note 12).

For the year ended December 31, 2024, the effect on earnings before tax of a 10% increase or decrease in the closing price of this investments at the financial position date is $3,500 (December 31, 2023 - $5,000), with all other variables held constant.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. As at December 31, 2024, the Company's current liabilities totaled $352,381 (2023 - $673,552) and cash totaled $1,275,463 (2023 - $98,578).

The Company 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 Company will be able to continue to meet its current obligations. See Note 1.

The following is a summary of the Company's material contractual obligations (representing undiscounted contractual cash flows):

	Year 1	Year 2 - 3	Year 4 - 5	Greater than 5 years
Accounts payable and accrued liabilities	$ 237,696	$ -	$ -	$ -
Warrant liability	-	357,316	-	-
Loans payable	114,685	-	-	-
Total	**$ 352,381**	**$ 357,316**	**$ -**	**$ -**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's other receivables due from subscription receipts and notes receivable.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of its cash, investments and accounts payable 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 Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

22. Financial instruments and risk management (continued)

Currency risk (continued)

The effect on earnings before tax of a 10% strengthening or weakening of the CAD exchange rate at the balance sheet date for financial instruments denominated in USD, with all other variables held constant, is approximately $7,800 ($5,000 - December 31, 2023).

	December 31, 2024	December 31, 2023
Investments in USD	**12,896**	25,546
Investments in CAD	**18,556**	34,600
Accounts payable and accruals in USD	**53,937**	-
Accounts payable and accruals in CAD	**77,610**	-

Fair value of financial instruments

The Company has determined the carrying values of its financial instruments as follows:

i. The carrying values of cash, other receivables, and accounts payable and accrued liabilities payable approximate their fair values due to the short-term nature of these instruments.
ii. The fair value of notes receivable and loans payable approximate their carrying amounts based on actualized cash flows (level 2)

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1 – Value based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques based on inputs other than quoted prices that are observable for assets or liabilities, either directly (ie. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Valuation techniques using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the consolidated statements of financial position as at December 31, 2024 and 2023:

	Level 1	Level 2	Level 3	Total
Publicly traded investments	$ 35,011	$ -	$ -	$ 35,011
Loans payable	-	114,685	-	114,685
Warrant liability (note 13)	-	-	357,316	357,316
December 31, 2024	**35,011**	**114,685**	**357,316**	**507,012**

	Level 1	Level 2	Level 3	Total
Publicly traded investments	$ 50,241	$ -	$ -	$ 50,241
Loans payable	-	60,000	-	60,000
Warrant liability (note 13)	-	-	146,876	146,876
December 31, 2023	50,241	60,000	146,876	257,117

(Expressed in Canadian Dollars)

22. Financial instruments and risk management (continued)

Fair value of financial instruments (continued)

Level 3 Hierarchy

Within Level 3, the Company includes private company investments which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies. The fair values of all of the private company investments held by the Company were determined by recent financings done by the investee.

23. Income taxes

The income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (26.5% as at December 31, 2023) to loss before income taxes as a result of the follows:

		Year Ended December 31, 2024		December 31, 2023
Net loss before income taxes	**$**	**(2,624,896)**	$	(4,061,946)
Expected income tax recovery based on statutory rate		**(695,597)**	$	(1,076,416)
Adjustment to expected income tax benefit:				
Share-based payments		**26,613**		98,779
Non-deductible expense (non-taxable income)		**(97,760)**		10,095
Gain on revaluation of warrant liability		**55,767**		(4,049)
Loss on sale of equipment		**26,261**		-
Other		**(662)**		35,081
Change in benefit of tax assets not recognized		**685,378**		936,510
Deferred income tax provision (recovery)	**$**	**-**	$	-

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Composition of deferred income taxes in the income statement

		2024		2023
Origination and reversal of temporary differences	**$**	**(685,378)**	$	(936,510)
Benefit arising from previously unrecognized temporary differences and tax losses.		**685,378**		936,510
	$	**-**	$	-

Movement of deferred income tax in 2024

		December 31, 2023		Profit and loss		Other comprehensive loss		December 31, 2024
Right-of-use assets	**$**	**(26,717)**	**$**	**26,717**	**$**	**-**	**$**	**-**
Non capital losses		**26,717**		**(26,717)**		**-**		**-**
	$	**-**	**$**	**-**	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

23. Income taxes (continued)

Movement of deferred income tax in 2023

	December 31, 2022	Profit and loss	Other comprehensive loss	December 31, 2023
Right-of-use assets	$ (42,794)	$ 16,077	$ -	$ (26,717)
Digital assets	-	(486)	486	-
Non capital losses	42,794	(16,077)	-	26,717
	$ -	$ (486)	$ 486	$ -

As at December 31, 2024, deductible timing differences for which the company has not recognized deferred tax asset are as follows:

	2024	2023
Non-capital losses carried forward	$ 25,945,000	$ 21,477,000
Property plant and equipment	-	1,737,000
Share issue costs	578,500	617,000
Capital losses	117,000	117,000
Investments	2,533,000	2,518,000
Lease liability	-	106,000
	$ 29,173,500	$ 26,572,000

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized, these deferred tax assets not recognized equal an amount of $6,117,000($3,134,000 as at December 31, 2023).

As of December 31, 2024, the Company had the following non-capital tax losses on which no deferred tax asset was recorded, expiring as follow:

2026	$ 147,000
2028	404,000
2029	229,000
2030	311,000
2031	241,000
2032	198,000
2034	34,000
2035	92,000
2036	698,000
2037	272,000
2038	993,000
2039	3,029,000
2040	1,458,000
2041	3,855,000
2042	5,230,000
2043	4,286,000
2044	4,468,000
	$ 25,945,000

24. Commitments and contingent liabilities

The Company is party to certain management contracts. These contracts contain aggregate minimum commitments of approximately $360,000 (December 31, 2023 - $360,000). As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company 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 Company 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 Company be unsuccessful in its defence or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

The Company was notified by Canada Revenue Agency that they had reassessed the GST returns filed for the period from January 1, 2017 to March 31, 2019 in the amount of $121,374. The Company is in the process of appealing the reassessment, and this amount has not been provided for in these consolidated financial statements.

25. Subsequent event

On January 7, 2025, the Company announced that it had closed and that it had secured a unsecured revolving credit facility (the "Facility") from a group of three private lenders (the 'Syndicate") for the combined amount of $750,000 CAD. The Facility bears a cash interest rate of 8% per annum. The Facility can be drawn upon in multiple advances. Any funds drawn upon will be used for general working capital purposes while the company advances its research and development and of its AI endeavours and to further advance the Corporation's BlueskyINTEL platform. The Corporation has also agreed to enter into business development agreements with certain consultants where the Corporation has agreed to issue 7,500,000 Common Shares as compensation. Upon the issuance of the Common Shares, no change of control of the Corporation will occur. The Consultants have been retained to assist the Corporation in sourcing acquisition targets to further advance the Corporation's AI business model.

On January 22, 2025, the Company announced that it has made a strategic investment into ChessGold Inc. ("ChessGold") an online digital game developer with a new spin on digital coins www.chessgold.ap. The Company has agreed to enter into a loan agreement with ChessGold where Bluesky will advance up to $1,000,000 CAD to ChessGold. Any funds advanced by Bluesky to ChessGold will be backed by a General Security Agreement on the assets of ChessGold. Any advances shall also bare an interest rate of 5% per annum. Bluesky shall also have the ability to convert any amounts outstanding from the loan into Common Shares of ChessGold. ChessGold will use any proceeds loaned by Bluesky to ChessGold for General Working Capital purposes and to fund ChessGold's planned "go public" endeavors. Should either ChessGold or Bluesky, elect to convert any of the outstanding amounts owed to Bluesky into Common Shares of ChessGold, the price of the Common Shares for the conversion shall be determined at the time of conversion. The conversion price will be determined by the valuation of ChessGold's business at the time of conversion or should ChessGold have commenced its go public endeavor, the conversion price will be set to the Initial Public Offering price.

On March 8, 2025, the Company announced that it had granted 6,250,000 performance warrants to directors and consultants to the corporation. Each performance warrant entitles the holder to purchase one common share of the corporation at an exercise price of $0.25. The performance warrants expire 24 months after the date of issuance. No vesting restrictions have been placed on the warrants.

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