Q1 2025

bluesky
DIGITAL ASSETS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2025

(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

MAY 30, 2025

www.blueskydigitalassets.com

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The following is Management's Discussion and Analysis ("MD&A") of the financial condition of Bluesky Digital Assets Corp. ("Bluesky" or the "Corporation") and the financial performance for three months ended March 31, 2025. This information in this MD&A is prepared as of May 30, 2025 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2025, as well as the audited consolidated financial statements for the year ended December 31, 2024 and the related management's discussion and analysis (the "Annual MD&A"). The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A, and specifically the "Outlook" section contains or incorporates forward-looking statements within the meaning of Canadian securities legislation (collectively, "forward-looking statements"). These forward-looking statements relate to, among other things, revenue, earnings, changes in cost and expenses, capital expenditures and other objectives, strategic plans and business development goals, and may also include other statements that are predictive in nature or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent only the Corporation's expectations, estimates and projections regarding future events. Although the Corporation believes the expectations reflected in such forward-looking statements are reasonable, such statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Undue reliance should not be placed on such statements. Certain material assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. The forward-looking statements contained in this MD&A are made as at the date of this MD&A and, accordingly, are subject to change after such date. Except as required by law, Bluesky Digital Assets Corp., does not undertake any obligation to update or revise any forward-looking statements made or incorporated in this MD&A, whether as a result of new information, future events or otherwise. For a description of material factors that could cause the Corporation's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks related to our business".

Company

Bluesky Digital Assets Corp, is building a high value digital enterprise. Bluesky in its startup phase, mined digital currencies such as Bitcoin and Ether and developed value-added technology services for the digital currency market, such as proprietary technology solutions. Offering a complete ecosystem of value-creation, Bluesky has invested appropriate portions of its previous digital currency mining profits back into its operations. A percentage of the profit was invested in the development of a proprietary AI based Blockchain technology. Overall, Bluesky takes an approach that enables the Corporation to scale, and respond to changing conditions, within the still-emerging Blockchain industry. The Corporation is poised to capture value in successive phases as this industry continues to change, evolve, and scale. For more information please visit Bluesky at: www.blueskydigitalassets.com or www.blueskyintel.com Please also follow us on Linkedin at: www.linkedin.com/company/bluesky-digital-assets/
The Corporation was incorporated under the laws of the Province of Ontario on June 1, 2006 and the Corporation's registered office is located at First Canadian Place, 100 King Street West, Suite 5700, Toronto, Ontario M5X 1C9. The Corporation's financial year end is December 31. The Corporation's common shares are listed and trade in Canada on the Canadian Securities Exchange ("CSE") under the trading symbol "BTC" and the Corporation's common shares trade in the United States on the OTC Markets QB Exchange ("OTCQB") under the trading symbol "BTCWF".

Overview and Outlook

The Corporation previously stated in its MD&A for its 2024 Annual Audited Financial Statements that the Corporation in Q4 of 2024 completed a recapitalization where the proceeds from the capital raise would be applied towards continuing to develop AI blockchain solutions in the online interactive gaming space and to continue the development of the Corporation's BlueskyINTEL platform ("BSI") . The Corporation also stated that it may elect to make strategic acquisitions of other companies in the AI space and AI gaming space, should a compelling acquisition target come into the picture that can enhance the Corporation's existing business model or the BSI platform. The Corporation announced in Q1 of 2025 that it had made a strategic investment into ChessGold Inc. ("ChessGold") an online digital game developer with a new spin on digital coins. The Corporation had agreed to enter into a loan agreement with ChessGold where the Corporation will advance up to $1,000,000 CAD to ChessGold. Any funds advanced by the Corporation 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. the Corporation 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 the Corporation to ChessGold for General Working Capital purposes and to fund ChessGold's planned "go public" endeavors. Should either ChessGold or the Corporation, elect to convert any of the outstanding amounts owed to the Corporation 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. The Corporation continued focus on Artificial Intelligence ("AI") and Blockchain ("BC") led to this natural fit with ChessGold which embraces these new verticals in it's game development process. In a further development, the Corporation. Subsquent to the end of Q1, 2025, ChessGold amounced on May 15, 2025 that it had launched its online gaming app and website www.chessgold.app.

Q1 Financial Information

The following table shows selected results of operations for the three months ended March 31, 2025 compared to the same three month periods for the four years prior. All figures presented in the table below are stated in CAD Dollars.

	Q1 2025	Q1 2024	Q1 2023	Q1 2022	Q1 2021
Total revenues	**Nil**	Nil	Nil	580,583	710,312
Total loss and comprehensive loss for the period	**(1,801,278)**	(436,724)	(996,860)	(734,127)	(1,263,233)
Earning / Loss per share from continuing operations	**(0.03)**	(0.00)	(0.01)	(0.01)	(0.04)
Total assets	**2,903,190**	1,271,437	1,691,519	10,421,295	5,711,988
Total liabilities	**(446,338)**	(938,670)	(1,640,874)	(3,733,438)	(635,082)

The Corporation continued to increase it's Total Assets while reducing the Corporation's Total Liabilities. The Corporation did incur a one-time change of $1,095,100 Share-based payments which were used to further advance the Corporation's AI development and online gaming endeavors.

Quarterly Results

The following tables show the Corporation's results of operations for the last seventeen quarters. All figures presented in the tables below are stated in CAD Dollars.

	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Revenue	-	-	-	$Nil
Net Income (Loss)	-	-	-	(1,801,278)
Income (Loss) per share	-	-	-	(0.03)
Cash	-	-	-	764,306

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	$Nil	$Nil	$Nil	$Nil
Net Income (Loss)	(439,550)	(946,531)	(802,091)	(436,724)
Income (Loss) per share	(0.01)	(0.04)	(0.03)	(0.02)
Cash	1,275,463	1,171	138	85,227

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Digital Mining Revenue	$Nil	$Nil	$Nil	$Nil
Net Income (Loss)	(819,029)	(686,292)	(1,559,280)	(996,859)
Income (Loss) per share	(0.00)	(0.01)	(0.01)	(0.01)
Cash	98,578	13,734*	523,053	55,331

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Digital Mining Revenue	2,916	331,020	**500,685**	580,583
Net Income (Loss)	(4,469,037)	(2,928,783)	(1,535,083)	(586,237)
Income (Loss) per share	(0.07)	(0.02)	(0.05)	(0.01)
Cash	231,711	173,547	578,653	1,401,895

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Digital Mining Revenue	1,116,169	1,047,909	851,813	710,312
Net Income (Loss)	(1,750,595)	(649,820)	(2,701,818)	(1,263,233)
Income (Loss) per share	(0.02)	(0.02)	(0.11)	(0.04)
Cash	854,377	3,304,851	1,734,215	1,785,077

Results of Operations

The following table shows the results of operations for the three months ended March 31, 2025 compared to the same period last year. All figures presented in the table below are stated in CAD Dollars.

	Q1 2025	Q1 2024
Cost of revenue		
Site operating costs	$ **-**	$ (9,802)
Depreciation	**-**	(15,166)
Gross profit (loss)	**-**	(24,968)
Operating expenses		
General and administration	$ **955,564**	$ 93,290
Share-based payments	**1,095,100**	-
Software development expenses	**59,820**	303,787
Total operating expenses	**(2,110,484)**	(397,077)
Net operating loss	**(2,110,484)**	(422,045)
Other items		
Gain (loss) on investments	**28,229**	(18,627)
Foreign exchange (loss) gain	**345**	(1,645)
Gain on disposal of assets	-	3,044
Gain on revaluation of warrant liability	**248,632**	2,549
Termination of lease	**32,000**	-
Total loss and comprehensive loss for the period	$ **(1,801,278)**	$ (436,724)
Basic and diluted net loss per share		
Basic and diluted net loss per share	**(0.03)**	(0.02)
Weighted average number of common shares outstanding	**65,747,574**	21,932,173

Performance For The Three Months Ended March 31, 2025 and 2024

The following table shows the Corporation's Total Assets upon the completion of the three months ended March 31, 2025, compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Cash	**$ 764,306**	$ 85,227
Other receivables	**228,321**	201,811
Prepaid expenses	**101,716**	553,753
Investments	**63,240**	31,614
Note receivable	**1,745,607**	1,474
Property, plant and equipment	**-**	311,905
Right of use assets	**-**	85,653
Cash, beginning of period	**$ 2,903,190**	$ 1,271,437

Total Assets for the three months ended March 31, 2025 amounted to $2,903,190 CAD compared to $1,271,437 CAD for the three months ended March 31, 2024 representing an increase of 128%.

The following table shows the total operating expenses for the three months ended March 31, 2025, compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended Mar 31, 2025	Three Months Ended Mar 31, 2024	Increase / (decrease) in $	Increase / (decrease) in %
Operating expenses				
General and administration	**$ 955,564**	$ **93,290**	$ 862,274	924%
Share-based payments	**1,095,100**	-	1,095,100	100%
Software development expenses	**59,820**	303,787	(243,967)	(408%)
Total operating expenses	**$ 2,110,484**	$ 397,077	$ 1,713,407	431%

Total operating expenses for the three months ended March 31, 2025 amounted to $2,110,484 CAD compared to $397,077 CAD for the three months ended March 31, 2025 representing a increase of 431%.

Liquidity & Capital Resources

The following table summarizes cash flows for the Three Months ended March 31, 2025, compared to the same period in the prior year. All figures presented in the table below are stated in CAD Dollars.

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Net cash (used in) operating activities	**$ (211,157)**	$ **(105,516)**
Net cash (used in) provided by investing activities	**(300,000)**	**81,029**
Net cash (used in) provided by financing activities	**-**	**11,136**
Net change in cash	**(511,157)**	(13,351)
Cash, beginning of period	**1,275,463**	98,578
Cash, end of period	**$ 764,306**	$ 85,227

As at March 31, 2025 the Corporation had total assets of $2,903,190 CAD which included $764,306 CAD in cash to meet its total current liabilities of $337,654 CAD. To successfully pursue its AI development endeavors the Corporation plans to continue to raise equity, and possibly debt, in order to pursue, and possibly complete, additional deals and build scale. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Corporation may change and shareholders may suffer dilution. If adequate financing is not available, the Corporation may be required to sell its interests in some or all of its assets / holdings and / or reduce or terminate some or all of its operations.

Additional Disclosures

Critical Accounting Estimates and Judgments

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

Assets' carrying values and impairment charges

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

Income, value added, withholding and other taxes

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

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

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

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

Share-based payments

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

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

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

Estimated useful life of property, plant and equipment

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

Warrant liability

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

Income from digital currency mining and digital currency valuation

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

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

The Corporation has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IAS 23 – Borrowing Costs ("IAS 23") was amended in April 2018 to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 16 – Leases ("IFRS 16") specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance.

IFRS 16 was applied retrospectively for annual periods beginning on or after January 1, 2019. During the year ended December 31, 2019 and prior to January 1, 2019, the Corporation entered into two leases, all of which have been accounted for under the new standard using a modified retrospective approach with an adoption date of January 1, 2019

Standards, amendments and interpretations not yet effective:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Corporation and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Corporation.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 10 – Condensed interim consolidated financial statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Financial Instruments

Financial assets and financial liabilities as at March 31, 2024. All figures presented in the table below are stated in CAD Dollars.

	Assets & liabilities at amortized cost
Cash	**764,306**
Accounts and other receivables	**228,321**
Investments	**63,240**
Accounts payable & accrued liabilities	(**219,385**)
Loans payable	(**118,269**)

Liquidity Risk

Liquidity risk is the risk that the Corporation is not able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage. As at March 31, 2025, the Corporation's current liabilities totaled $**337,654** CAD (2024 - $776,735 CAD) and cash totaled $ 764,306 CAD (2024 - $ 85,227 CAD). The Corporation currently doesn't generate any revenues. The Corporation manages liquidity risk by reviewing the amount of cash available, to ensure that it can meet its current obligations. There is no guarantee that the Corporation will be able to continue to meet its current obligations.

Currency Risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Corporation operates in Canada and a portion of its loans receivable and investments are in United States dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations.

Contractual Obligations and Commitments

The Corporation is party to certain management contracts. These contracts contain aggregate minimum commitments of $240,000 CAD (December 31, 2024- $360,000) and additional contingent payments of approximately $388,320 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Corporation may become party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision is recorded in the consolidated financial statements. Where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of any such matters may require the Corporation to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Corporation be unsuccessful in its defense or settlement of one or more of legal actions or other claims, there could be a materially adverse effect on the Corporation's financial position, future expectations, and cash flows. Since the adoption of IFRS 16 on January 1, 2019, the Company no longer include lease agreements in commitments. Lease agreements are accounted for right-of-use assets and financial lease liabilities,

Fair value of financial instruments

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

i. The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of these instruments.

ii. Notes receivable, long-term notes receivable and long-term investments are carried at amounts in accordance with the Corporation's accounting policies as set out in Note 3 of the audited consolidated financial statements.

The following table illustrates the classification and hierarchy of the Corporation 's financial instruments, measured at fair value in the consolidated statements of financial position as at March 31, 2025 and December 31, 2024.

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

Investments, fair value	March 31, 2025	Year Ended December 31, 2024
Publicly traded investments	**63,240**	**35,011**
Totals	**63,240**	**35,011**

Outstanding share data

As at March 31, 2024, the Corporation had 69,109,418 Common Shares issued and outstanding, 493,020 Preferred "Class – A" shares issued and outstanding and 1,250 Preferred "Class – B" shares issued and outstanding. In addition, the Corporation had 6,797,744 Common Share Purchase Warrants outstanding priced at between $0.25 and $2.82 and 12,500 Stock Options entitling the holder to acquire an additional Common Share by paying $8.40 to $10.08 per Common Share. As at May 30, 2025, the Corporation had 69,695,625 Common Shares issued and outstanding, 493,020 Preferred "Class – A" shares issued and outstanding and 1,250 Preferred "Class – B" shares issued and outstanding. In addition, the Corporation has 6,365,169 Common Share Purchase warrants outstanding priced at between $0.25 and $2.82 and 12,500 Stock Options entitling the holder to acquire an additional Common Share by paying $8.40 to $10.08 per Common Share.

Transactions with Related Parties

As at March 31, 2025 the Corporation did not enter into any transactions in the ordinary course of business with related parties that are not subsidiaries of the Corporation.

Compensation of key Management personnel of the Corporation

The remuneration of directors and other members of key management personnel during the period is displayed in the table below. All figures presented in the table below are stated in CAD Dollars.

	Year Three Months Ended Mar 31, 2025	Year Three Months Ended Mar 31, 2024
Management fees	**$ 95,095**	$ 282,487
Consulting and other professional fees	**827,795**	48,684
Share-based payments	**-**	-
	$ 922,890	$ 331,171

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

Off Balance Sheet Arrangements

The Corporation has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Proposed Transactions

The Corporation is not party to any proposed transactions that have not been disclosed elsewhere in this MD&A
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Risks Related to Our Business and Industry

The Corporation has a limited operating history

The Corporation has a limited operating history, its financial position is not robust, and the Corporation lacks consistent profitable operations to date. The Corporation has incurred net losses since inception and may continue to incur net losses while it builds its business and as such, it may not achieve or maintain profitability. In the year ended December 31, 2022, the Corporation changed its business to "Artificial Intelligence Development" from "Digital Assets Mining". The timeframe that the Corporation has been in the AI Development space is very short compared to its competitors. The Corporation's limited operating history in AI also makes it difficult to evaluate the Corporation's business and prospects, and there is no assurance that the business of the Corporation will grow or that it will become profitable. Because of the Corporation's limited operating history in AI Development, it is difficult to extrapolate any meaningful projections about the Corporation's future. The Corporation's competitors are significantly better funded than the Corporation. This could prove detrimental in that the Corporation may not have the funds to attract to build the business. There is no assurance that our revenues will continue to grow.

Historically incurred significant losses and our financial situation creates doubt whether we will continue as a going concern

During the year ended December 31, 2024, the Corporation realized a total loss of $(2,624,896) compared with a total loss of $(4,061,946) for the year ended December 31, 2023. As at December 31, 2024, the Corporation had $1,275,463 in cash and total assets of $1,613,152. There are no assurances that the Corporation will be able to achieve a level of revenue adequate to generate sufficient cash flow from operations or obtain additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, the Corporation will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. The Corporation may periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. If adequate working capital is not available, the Corporation may be forced to discontinue operations, which would cause investors to lose their entire investment.

The AI platform might be exposed to cybersecurity threats and hacks

As with any other computer code, flaws in the AI source codes and keys have been exposed by certain malicious actors. Several errors and defects could be been found and corrected, including those that disabled some functionality for users and exposed users' information. Although discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money have historically occurred somewhat regularly, more recently, they have been becoming relatively rarer. There is a risk that some or all of the Corporation's user data could be lost or stolen. Access to the Corporation's user data could also be restricted by cybercrime (such as a denial of service ("DDoS") attack) against a service at which the Corporation maintains. Any of these events may adversely affect the operations of the Corporation and, consequently, its investments and profitability. The loss or destruction of a private key required to access the Corporation's data may be irreversible. The Corporation's loss of access to its private keys or its experience of a data loss relating to the Corporation's data could adversely affect its investments.

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

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

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

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

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

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

The Corporation may require permits and licenses

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

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

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

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

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

The Corporation will need to develop and maintain its facilities

The continued development of existing and planned facilities is subject to various factors, and may be delayed or adversely affected by such factors beyond the Corporation's control, including delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment into existing infrastructure, shortages in materials or labor, defects in design or construction, diversion of management resources, insufficient funding, or other resource constraints. Actual costs for development may exceed the Corporation's planned budget. Delays, cost overruns, changes in market circumstances and other factors may result in different outcomes than those intended.

The Corporation could be in violation of laws, including securities laws

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

The Corporation could be subject to claims from investors

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

Risk related to technological obsolescence and difficulty in obtaining hardware

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

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

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

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

All of the Corporation's operations may be subject to environmental regulations, which can make operations expensive or prohibitive. The continued evolvement of environmental regulations may lead to the imposition of stricter standards, more diligent enforcement, and heavier fines and penalties for noncompliance. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations or cause delays in the development of mining projects.

The Corporation may be subject to potential risks and liabilities associated with pollution of the environment through its use of electricity to power its AI. In addition, environmental hazards may exist on a property in which the Corporation directly or indirectly holds an interest which are unknown to the Corporation at present which have been caused by previous or existing owners or operators of the property which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. To the extent the Corporation is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Corporation. If the Corporation is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Corporation.

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

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

General Risks

Pandemics

While the precise impact of a pandemic on the Corporation remain unknown, rapid spread of a virus may have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, ability to visit the Corporations facilities, results of operations and other factors relevant to the Corporation.

Reliance on key personnel

The Corporation's success will also depend in large part on the continued service of its key operational and management personnel, including executive staff, research and development, engineering, marketing and sales staff. Most specifically, this includes its CEO, CFO and COO. The Corporation faces intense competition for these professionals from its competitors, customers and other companies throughout the industry. Any failure on the Corporation's part to hire, train and retain a sufficient number of qualified professionals could impair the business of the Corporation.

Management of Growth

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

Conflicts of Interest

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

Need for financing in order to grow the business

From time to time, in order to expand operations the Corporation will need to incur additional capital expenditures. These capital expenditures are intended to be funded from third party sources, including the incurring of debt and/or the sale of additional equity securities. In addition to requiring additional financing to fund capital expenditures, the Corporation may require additional financing to fund working capital, sales and marketing, general and administrative expenditures and operating losses. The incurrence of debt creates additional financial leverage and therefore an increase in the financial risk of the Corporation's operations. The sale of additional equity securities will be dilutive to the interests of current equity holders. In addition, there can be no assurance that such additional financing, whether debt or equity, will be available to the Corporation or that it will be available on acceptable commercial terms. Any inability to secure such additional financing on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

Global economic conditions may adversely affect our industry, business and results of operations

The Corporation's overall performance depends, in part, on worldwide economic conditions which historically is cyclical in character. The United

States and Canada have largely worked its way out of an economic recession while other key international economies continue to be impacted by a recession, characterized by falling demand for a variety of goods and services, restricted credit, going concern threats to financial institutions, major multinational companies and medium and small businesses, poor liquidity, declining asset values, reduced corporate profitability, extreme volatility in credit, equity and foreign exchange markets and bankruptcies.

Risks related to our shareholders and purchasing common and preferred shares

Our shares may continue to be subject to illiquidity because our Common Shares and "Class – A" Preferred Shares may continue to be thinly traded. There are also continuing eligibility requirements for companies listed on public trading markets. If we are unable to satisfy the continuing eligibility requirements of any such market, then our Common Shares and "Class – A" Preferred Shares may be delisted. This could result in a lower trading price for both our "Class – A" Preferred Shares and Common Shares and may limit your ability to sell them, any of which could result in you losing some or all of your investments. Our "Class – B" Preferred Shares are currently not listed on any stock exchange and therefore have very limited market. It is possible that our "Class – B" Preferred Shares may never qualify for listing onto a stock exchange.

No dividends have been paid on our Common Shares

We have never paid cash dividends on our Common Shares and do not presently intend to pay any cash dividends on our Common Shares in the foreseeable future. Investors should not look to dividends as a source of income. In the interest of reinvesting initial profits back into our business, we do not intend to pay cash dividends in the foreseeable future on our Common Shares. Consequently, any economic return will initially be derived, if at all, from appreciation in the fair market value of our Common Shares, and not as a result of dividend payments. We have the right to accrue the dividends on our "Class – A" & "Class – B" Preferred Shares and do not have to make payments.

Expectations to issue more shares in an equity financing, which may result in substantial dilution

Our articles of incorporation authorize the Corporation to issue an unlimited amount of Common Shares and to issue up to 10% of our common share total as Preferred Shares. Any equity financing effected by the Corporation may result in the issuance of additional securities without stockholder approval and may result in substantial dilution in the percentage of both our Common Shares or our Preferred Shares held by our then existing stockholders. Moreover, Preferred Shares and Common Shares issued in any equity financing transaction may be valued on an arbitrary or non-arm's length basis by our management, resulting in an additional reduction in the percentage of Common Shares and Preferred Shares held by our then existing stockholders. Our board of directors has the power to issue any or all of such authorized but unissued shares without stockholder approval. To the extent that additional Common Shares or Preferred Shares are issued in connection with a business combination or otherwise, dilution to the interests of our stockholders will occur and the rights of the holders of Common Shares might be materially adversely affected.

Interest rate risk

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

Additional Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

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