

AUDIT 2025



bluesky
DIGITAL ASSETS

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024**
(EXPRESSED IN CANADIAN DOLLARS)

www.blueskydigitalassets.com



BTCWF

TRADED ON
OTCQB

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bluesky Digital Assets Corp.

Opinion

We have audited the consolidated financial statements of Bluesky Digital Assets Corp. (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2025
- the consolidated statements of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in shareholder's equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including a summary of material accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 "Auditor's Responsibilities for the Audit of the 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 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.

Other Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on the financial statements on April 30, 2025.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss during the year ended December 31, 2025 and has an accumulated deficit as of December 31, 2025. This condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified 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 for the year ended December 31, 2025. 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 other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the Management 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 auditor's 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 auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standard Board, 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.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 judgment 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 auditor's 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 auditor's 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statement of the current period and therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstance, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interests benefits of such communication.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statement. We are responsible for direction, supervision and review of the audit work performed for the purposes 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 financial statements of the current period and are therefore the 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 auditor's report is George G. Lovrics.

TZR LLP

Markham, Ontario
April 21, 2026

Chartered Professional Accountants
Licensed Public Accountants

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

As at,	December 31, 2025	December 31, 2024
ASSETS		
Current		
Cash	\$ 228,579	\$ 1,275,463
Other receivables (note 5)	1,244	229,819
Prepaid expenses	33,647	72,859
Investments (note 11)	40,583	35,011
Total current assets	304,053	1,613,152
Non-Current		
Note receivable (note 14)	950,428	-
Total assets	\$ 1,254,481	\$ 1,613,152
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 10)	\$ 92,692	\$ 237,696
Loans payable (note 13)	65,845	114,685
Total current liabilities	158,537	352,381
Non-current liabilities		
Warrant liability (note 12)	-	357,316
Total liabilities	158,537	709,697
SHAREHOLDERS' EQUITY		
Share capital (note 15)	32,553,326	29,700,576
Contributed surplus (note 17)	9,801,905	9,534,509
Warrants (note 16)	2,212,236	484,522
Deficit	(43,471,523)	(38,816,152)
Total shareholders' equity	1,095,944	903,455
Total liabilities and shareholders' equity	\$ 1,254,481	\$ 1,613,152

Description of business and going concern (note 1)
Subsequent events (note 24)

"Allan Grant", 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)

	Year Ended December 31,	
	2025	2024
Cost of revenue		
Site operating costs	\$ -	\$ (28,236)
Depreciation	-	(45,499)
Gross loss	-	(73,735)
Operating expenses		
General and administration (note 18)	3,207,246	820,358
Share-based payments (notes 15 and 16)	1,941,285	100,425
Software development expenses (note 7)	-	1,613,053
Total operating expenses	(5,148,531)	(2,533,836)
Net operating loss	(5,148,531)	(2,607,571)
Other items		
(Loss) gain on investments	5,572	(15,230)
Foreign exchange gain (loss)	3,746	(5,964)
Gain on disposal of assets	-	(99,098)
(Loss) gain on settlement of payables	-	(22,000)
Gain (loss) on write down of debt	94,526	375,105
Gain (loss) on revaluation of warrant liability (note 12)	357,316	(210,440)
Termination of lease (note 9)	32,000	(39,698)
Total loss and comprehensive loss for the year	\$ (4,655,371)	\$ (2,624,896)
Net loss and comprehensive loss per share		
- basic and diluted (note 19)	\$ (0.07)	\$ (0.11)
Weighted average number of common shares outstanding		
- basic and diluted (note 19)	70,723,383	24,521,399

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, 2025	2024
Operating activities		
Loss for the year	\$ (4,655,371)	\$ (2,624,896)
<i>Items not affecting cash:</i>		
Depreciation	-	45,499
Common shares issued for services and compensation (note 15)	2,344,575	1,922,306
Share-based payments	1,941,285	100,425
Shares costs related to financing	-	(268,933)
Gain (loss) on revaluation of warrant liability	(357,316)	210,440
Loss on investments	(5,572)	15,230
Gain on disposal of assets	-	99,098
Interest on loans and leases	5,844	19,733
Termination of lease	-	39,698
Gain (loss) on write down of debt	(94,526)	-
Loss (gain) on settlement of payables	-	22,000
Gain on accounts payable write down and debt forgiveness	-	(391,105)
<i>Changes in non-cash working capital items:</i>		
Other receivables	208,795	(23,843)
Prepaid expenses	(20,788)	21,322
Accounts payable and accrued liabilities	(25,382)	192,226
Net cash used in operating activities	(658,456)	(620,800)
Financing activities		
Lease payments	-	(56,913)
Proceeds from loans	-	150,000
Proceeds from issuance of units	574,000	239,000
Share issuance costs	(12,000)	-
Proceeds from the exercise of warrants	-	1,253,849
Net cash provided by financing activities	562,000	1,585,936
Investing activities		
Proceeds from sale of equipment	-	211,749
Issuance of note receivable	(950,428)	-
Net cash (used in) provided by investing activities	(950,428)	211,749
(Decrease) increase in cash	(1,046,884)	1,176,885
Cash, beginning of year	1,275,463	98,578
Cash, end of year	\$ 228,579	\$ 1,275,463
Supplemental information		
Shares issued for financing services	\$ -	268,933
Broker warrants issued	\$ 9,825	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						Digital Currency revaluation reserve	Deficit	Total
	Preferred shares \$	Preferred shares to be registered \$	Common shares \$	Total Share capital \$	Contributed Surplus \$	Warrants \$	\$	\$	\$
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
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)
Share-based compensation	-	-	-	-	-	100,425	-	-	100,425
Warrants expired	-	-	-	-	3,528,857	(3,528,857)	-	-	-
Disposition 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
Private placement (net of share issue costs of \$12,000)	-	-	508,175	508,175	-	53,825	-	-	562,000
Share-based compensation	-	-	-	-	-	1,941,285	-	-	1,941,285
Shares issued for services	-	-	2,344,575	2,344,575	-	-	-	-	2,344,575
Warrant expiry	-	-	-	-	267,396	(267,396)	-	-	-
Net loss for the year	-	-	-	-	-	-	-	(4,655,371)	(4,655,371)
Balance, December 31, 2025	2,054,685	(353,057)	30,851,698	32,553,326	9,801,905	2,212,236	-	(43,471,523)	1,095,944

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

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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 trade 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 was previously in the business of conducting research & development of artificial intelligence to enhance the BlueskyINTEL platform.

The consolidated financial statements of the Company for the years ended December 31, 2025 and 2024 were approved and authorized for issuance in accordance with a resolution of the board of directors on April 21, 2026.

Going concern

The Company incurred a net loss during the year ended December 31, 2025 of \$4,655,371 (2024 - \$2,624,896) and had an accumulated deficit of \$43,471,523 (December 31, 2024 - \$38,816,152). As at December 31, 2025, the Company had a working capital surplus of \$145,516 (December 31, 2024 - \$1,260,771). 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.

Subsequent to December 31, 2025, the Company entered into a non-arm's length definitive agreement with ChessGold Inc. in respect of a proposed transaction and a related financing, as further described in Note 24. However, there can be no assurance that such transaction or financing will be completed.

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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	Principal activity
Bluesky Digital Assets Corp.	Canada	Parent Company
Bluesky Digital Assets Inc. ⁽¹⁾	Canada	Holding Company
MethodeVerte Inc. ⁽¹⁾	Canada	Holding Company
1001084204 Ontario Inc. ⁽³⁾	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⁾ Incorporated January 6, 2025

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 is primarily held in Canadian dollars.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed 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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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
Note receivable	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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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 2025 and 2024.

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's CEO is identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's management system. The Company has determined that it only has one operating segment located in Canada.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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 assess 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 replace 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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

5. Other receivables

	December 31, 2025	December 31, 2024
Other receivables	\$ 1,244	\$ 51,244
Funds held in trust by related parties ⁽¹⁾	-	178,575
Total other receivables	\$ 1,244	\$ 229,819

⁽¹⁾ During the year ended December 31, 2025, the Company wrote off \$21,073 of funds held in trust as it determined the amount was uncollectible.

6. Property, plant and equipment

Cost	Data miners	Equipment	Computers	Total
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 and December 31, 2025	\$ -	\$ -	\$ -	\$ -

Accumulated depreciation	Data miners	Equipment	Computers	Total
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 and December 31, 2025	\$ -	\$ -	\$ -	\$ -

Carrying amount	Data miners	Equipment	Computers	Total
Balance, December 31, 2024	\$ -	\$ -	\$ -	\$ -
Balance, December 31, 2025	\$ -	\$ -	\$ -	\$ -

During fiscal 2024, the Company either disposed of or sold the remainder of its data miners and equipment.

7. 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, 2025, officers and directors provided \$nil (2024: \$463,287) related to the development of the BlueskyINTEL platform.

8. Right-of-use assets

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

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ -	\$ 100,819
Depreciation	-	(45,499)
Termination of lease	-	(55,320)
Balance, end of year	\$ -	\$ -

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

9. Lease liabilities

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

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ -	\$ 105,813
Interest expense	-	5,048
Lease payments	-	56,913
Termination of lease	-	(53,948)
Balance, end of year	\$ -	\$ -

10. Accounts payable and accrued liabilities

	December 31, 2025	December 31, 2024
Trade and other payables	\$ 17,369	\$ 171,691
Accrued liabilities	75,323	66,005
	\$ 92,692	\$ 237,696

11. Investments

	December 31, 2025		December 31, 2024	
	Number of shares	Estimated fair market value	Number of shares	Estimated fair market value
Workspport Ltd.	13,561	\$ 39,590	13,561	\$ 17,952
Cheetah Canyon Resources Corp.	1,698,850	-	1,698,850	-
Chess Supersite Corp	300,000	993	300,000	604
Eastwest Bioscience Inc.	658,182	-	658,182	16,455
Astro Airspace Ltd	500,000	-	500,000	-
Hemp Inc.	24,000,000	-	24,000,000	-
Total		\$ 40,583		\$ 35,011

Classification

Short-term investments	\$ 40,583	\$ 35,011
Long-term investments	-	-
Total	\$ 40,583	\$ 35,011

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

12. Warrant liability

The Company has completed the following issuances of warrants:

Closing date	October 13, 2021
Warrants issued	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, 2023 (note 1)	1,439,650	\$ 146,876
Fair value adjustment	-	210,440
Balance, December 31, 2024 (note 1)	1,439,650	357,316
Fair value adjustment	-	(357,316)
Balance, December 31, 2025	1,439,650	\$ -

The Company recorded a non-cash gain on the revaluation of warrant liability of \$357,316 during the year ended December 31, 2025 (year ended December 31, 2024 - loss of \$210,440).

The Black-Scholes model and the inputs used in determining the values of the warrants as at December 31, 2025 and December 31, 2024 are as follows:

	December 31, 2025	December 31, 2024
Common share market price	\$ 0.055	\$ 0.400
Weighted average risk free interest rate	2.550 %	2.910 %
Estimated common share weighted average price volatility	96.90 %	171.20 %
Expected dividend yield	nil %	nil %
Estimated weighted average life in years	0.78	2.04

13. Loans payable

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ 114,685	\$ 60,000
Proceeds from loans payable	-	150,000
Interest on loans	5,844	14,685
Repayment - other loans	-	(110,000)
Write off	(54,684)	-
Balance, end of year	\$ 65,845	\$ 114,685

	December 31, 2025	December 31, 2024
Classification		
Short-term loans payable	\$ 65,845	\$ 114,685
Long-term loans payable	-	-
Total loans payable	\$ 65,845	\$ 114,685

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

13. Loans payable (continued)

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%. As at December 31, 2025, the balance of the CEBA loan was \$65,845.

Other loans payable

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. 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 15(b)(i)).

May 17, 2024, the Company advanced an additional \$50,000 under the loan agreement. During the year ended December 31, 2025, the Company recognized debt forgiveness of the principal balance and interest of \$54,684. As at December 31, 2025, the balance of the other loan was \$nil.

14. Note receivable and other advances

Note receivable

On January 22, 2025, the Company entered into strategic investment into ChessGold Inc. ("ChessGold") an online digital game developer. The Company has agreed to enter into a loan agreement where Bluesky will advance up to \$1,000,000 to ChessGold. Any funds advanced by Bluesky to ChessGold will be secured by a General Security Agreement on the assets of ChessGold. Any advances shall also bear 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.

	December 31, 2025	December 31, 2024
Balance, beginning of year	\$ -	\$ -
Issuance of note receivable	950,428	-
Balance, end of year	\$ 950,428	\$ -

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with the note receivable and other advances to the ChessGold. The Company reviews the recoverable amount of its financial assets at each statement of financial position date to ensure that adequate provision is made for expected credit losses on a timely basis. The note receivable and other advances to ChessGold, are expected to be repaid in the future and the expected credit loss is not considered material. If the Company completes the acquisition of ChessGold (note 24), any proceeds previously provided to ChessGold by the Company may be converted into Common Shares of ChessGold and will be subtracted from the purchase price of ChessGold.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

15. Share capital

As at December 31, 2025, 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.

a) Preferred shares

Class A	Number of preferred shares	Amount
Balance, December 31, 2023, December 31, 2024 and December 31, 2025	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, 2023, December 31, 2024 and December 31, 2025	1,250	\$ 12,500

b) Common shares

	Number of common shares	Amount
Balance, December 31, 2023	20,878,450	\$ 24,491,189
Common shares issued (i)	4,850,000	242,500
Cost of issue	-	(275,933)
Common shares issued for debt (i) and note 13	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
Private placement (iii)	4,783,333	530,000
Broker warrants	-	(9,825)
Cost of issue	-	(12,000)
Common shares issued (iii)	10,587,207	2,344,575
Balance, December 31, 2025	74,478,958	\$ 32,553,326

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

15. Share capital (continued)

(i) 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 13). The shares closing price on the date of issuance was \$0.18 per share.

(ii) 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.

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.

(iii) Common shares issued - 2025

On July 14, 2025, the Company closed a non-brokered private placement of 2,583,333 units at a price of \$0.12 per unit for gross proceeds \$310,000. Each unit consisted of one common share and one warrant. The Company paid a cash finder's fee of \$12,000 and issued 100,000 finder's warrants. Each warrant and finder warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15. The finders warrants were valued at \$9,825 using the Black-Scholes option pricing model with the following assumptions: expected volatility between 205.90%; a risk-free interest rate between 2.76%; share price at the date of the grant was \$0.12; an expected dividend yield of Nil%; and 24 months expected term.

On August 15, 2025, the Company closed a non-brokered private placement of 2,199,999 at a price of \$0.12 units for gross proceeds of \$264,000. Each unit consisted of one common share and one warrant, and each warrant entitles the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15.

The Company issued 10,587,207 common shares related to issuances for services with a fair value of \$2,344,575. The weighted average shares closing price on the date of issuance was \$0.23 per share.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

16. Warrant reserve

	Number of warrants	Fair value of warrants	Weighted average exercise price
Balance, December 31, 2023	6,780,100	\$ 4,016,491	\$ 1.75
Issued (notes 15 and (i))	8,170,000	103,925	0.07
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
Issued ((ii), (iii) and note 15(iii))	17,633,333	1,995,110	0.20
Expired	(1,890,657)	(267,396)	(2.26)
Balance, December 31, 2025	17,748,505	\$ 2,212,236	\$ 0.22

- (i) 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.
- (ii) On March 8, 2025, the Company granted 6,250,000 bonus warrants to officers and consultants at an exercise price of \$0.25 for a period of 2 years from the date of issuance. The estimated fair value of the warrants at the grant date was \$1,095,100 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 223.6%, risk free rate of return of 2.59% and an expected life of 2 years. Share price at the date of the grant was \$0.20.
- (iii) On May 15, 2025, the Company granted 6,500,000 bonus warrants to officers and consultants at an exercise price of \$0.15 for a period of 2 years from the date of issuance. The estimated fair value of the warrants at the grant date was \$846,185 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 211.1%, risk free rate of return of 2.53% and an expected life of 2 years. Share price at the date of the grant was \$0.15.

The following table reflects the warrants issued and outstanding as of December 31, 2025:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Warrants Outstanding	Grant date Fair Value of warrants currently outstanding (\$)
September 29, 2026	2.82	0.75	115,172	220,238
March 8, 2027	0.25	1.18	6,250,000	1,095,100
May 15, 2027	0.15	1.37	6,500,000	846,185
July 14, 2027	0.15	1.53	2,683,334	9,825
August 15, 2027	0.15	1.62	2,199,999	44,000
	0.22	1.03	17,748,505	2,215,348

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

17. Stock option

Employee share option plan

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

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, 2023	651,309	\$ 2,611,042	\$ 2.03
Expired	(638,809)	(2,497,382)	(1.31)
Balance, December 31, 2024 and December 31, 2025	12,500	\$ 113,660	\$ 9.76

The following table reflects the stock options issued and outstanding as of December 31, 2025:

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	0.34	10,119	98,160
June 19, 2027	8.40	1.47	2,381	15,500
	9.76	0.56	12,500	113,660

18. General and administrative

	Year Ended December 31,	
	2025	2024
Management fees (note 20)	\$ 1,096,427	\$ 368,105
Loan interest and fees	5,844	19,098
Consulting and other professional fees (note 20)	1,731,462	234,590
General and administration	60,710	18,521
Marketing and investor relations	8,476	50,177
Travel and accommodations	10,481	-
Legal and audit	220,544	44,275
Transfer agent and filing fees	82,225	85,592
Interest income	(8,923)	-
Total general and administrative	\$ 3,207,246	\$ 820,358

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

19. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2025, was based on the loss attributable to common shareholders of \$4,655,371 (year ended December 31, 2024 - \$2,624,896) and the weighted average number of common shares outstanding of 70,723,383 (year ended December 31, 2024 - 24,521,399). Diluted loss per share did not include the effect of 17,748,505 warrants or 12,500 stock options for the year ended December 31, 2025 (year ended December 31, 2024 - 2,005,829 warrants or 12,500 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,	
	2025	2024
Management fees	\$ 1,096,427	\$ 792,272
Consulting and other professional fees	76,943	117,381
Share-based payments	719,692	100,425
	\$ 1,893,062	\$ 1,010,078

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

21. Capital management (continued)

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, 2025 and 2024

22. Financial instruments and fair value risk management

Financial assets and financial liabilities as at December 31, 2025 and 2024 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, 2025 and 2024.

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

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

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, 2025 which made up of approximately 98% and -% (December 31, 2024 – 51% and 47%) of the total equity portfolio. (See Note 11).

For the year ended December 31, 2025, 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 \$4,100 (December 31, 2024 - \$3,500), 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, 2025, the Company's current liabilities totaled \$158,537 (2024 - \$352,381) and cash totaled \$228,579 (2024 - \$1,275,463).

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.

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

22. Financial instruments and risk management (continued)

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	\$ 92,692	\$ -	\$ -	\$ -
Loans payable	65,845	-	-	-
Total	\$ 158,537	\$ -	\$ -	\$ -

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.

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 \$4,200 (December 31, 2024 - \$7,800).

	December 31, 2025	December 31, 2024
Investments in USD	29,335	12,896
CAD equivalent of Investments in USD	42,210	18,556
Accounts payable and accruals in USD	-	53,937
CAD equivalent Accounts payable and accruals in USD	-	77,610

Fair value of financial instruments

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

- 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.
- The fair value of notes receivable and loans payable approximate their carrying amounts based on actualized cash flows (level 2)

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

22. Financial instruments and risk management (continued)

Fair value of financial instruments (continued)

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, 2025 and 2024:

	Level 1	Level 2	Level 3	Total
Publicly traded investments	\$ 40,583	\$ -	\$ -	\$ 40,583
December 31, 2025	40,583	-	-	40,583

	Level 1	Level 2	Level 3	Total
Publicly traded investments	\$ 35,011	\$ -	\$ -	\$ 35,011
Loans payable	-	114,685	-	114,685
Warrant liability (note 12)	-	-	357,316	357,316
December 31, 2024	35,011	114,685	357,316	507,012

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

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, 2024) to loss before income taxes as a result of the follows:

	Year Ended	
	December 31, 2025	December 31, 2024
Net loss before income taxes	\$ (4,655,371)	\$ (2,624,896)
Expected income tax recovery based on statutory rate	(1,233,673)	(695,597)
Adjustment to expected income tax benefit:		
Share-based payments	514,441	26,613
Non-deductible expense (non-taxable income)	(25,049)	(97,760)
Gain on revaluation of warrant liability	(94,689)	55,767
Loss on sale of equipment	-	26,261
Other	-	(662)
Change in benefit of tax assets not recognized	838,971	685,378
Deferred income tax provision (recovery)	\$ -	\$ -

Composition of deferred income taxes in the income statement

	2025	2024
Origination and reversal of temporary differences	\$ (838,971)	\$ (685,378)
Benefit arising from previously unrecognized temporary differences and tax losses.	838,971	685,378
	\$ -	\$ -

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

23. Income taxes (continued)

As at December 31, 2025, deductible timing differences for which the company has not recognized deferred tax asset are as follows:

	2025	2024
Non-capital losses carried forward	\$ 29,428,000	\$ 25,945,000
Share issue costs	283,625	578,500
Capital losses	117,000	117,000
Investments	2,527,465	2,533,000
	\$ 32,356,090	\$ 29,173,500

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 \$8,224,000 (\$6,117,000 as at December 31, 2024).

As of December 31, 2025, 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
2045	3,483,000
	<u>\$ 29,428,000</u>

Bluesky Digital Assets Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)

24. Subsequent event

The Company entered into a definitive agreement with ChessGold Inc. ("ChessGold") dated April 17, 2026 to effect a non-arm's length transaction that will result in the acquisition of all of the outstanding common shares of ChessGold by the Company (the "Transaction") to ultimately form the resulting issuer (the "Resulting Issuer").

Pursuant to the terms of the Agreement, Bluesky will acquire the ChessGold Shares in exchange for:

- (i) 10,000,000 common shares of the Company ("Consideration Shares") having an aggregate value of \$1,000,000 to be delivered to the Vendors on a pro rata basis, with each Consideration Share to be issued at a deemed price of \$0.10; and
- (ii) 20,000,000 warrants (the "Milestone Warrants") to purchase common shares of the Company ("Bluesky Shares") to be delivered to Gramos Mjeku, the principal Vendor, with each Milestone Warrant exercisable into one Bluesky Shares at a price of \$0.20 for a period of five years from the date of issuance and becoming exercisable upon the achievement of the following milestones:
 - a. 5,000,000 Milestone Warrants becoming exercisable upon 500,000 unique users being registered on the ChessGold platform;
 - b. 5,000,000 Milestone Warrants becoming exercisable upon the Resulting Issuer (as defined below) achieving \$1,000,000 in revenue;
 - c. 5,000,000 Milestone Warrants becoming exercisable upon the launch of a ChessGold desktop platform; and
 - d. 5,000,000 Milestone Warrants becoming exercisable upon the Resulting Issuer achieving \$1,000,000 in EBITDA.

In addition, the Consideration Shares shall be subject to a voluntary hold period, with such hold period expiring: (i) 25.0% on the six-month anniversary of the closing of the Transaction; and (ii) 25.0% each ninety (90) calendar days thereafter.

The Transaction will not result in the creation of a new Control Person (as such term is defined in the policies of the Exchange) of the resulting entity following completion of the Transaction (the "Resulting Issuer"). Upon completion of the Transaction, it is anticipated that the ChessGold shareholders will hold approximately 11.84% of the issued and outstanding common shares of the Resulting Issuer on a non-diluted basis, subject to adjustment in certain circumstances.

Completion of the Transaction is subject to a number of terms and conditions, including, but not limited to: (i) the parties obtaining all necessary consents, orders and regulatory and shareholder approvals, including the conditional approval of the Exchange, subject only to customary conditions of closing; (ii) no material adverse change occurring in respect of either Bluesky or ChessGold; (iii) the parties having delivered all documents and other items specified in the Agreement; and (iv) such other closing conditions as set out in the Agreement.

In connection with the Transaction, as previously announced in its news release of January 22, 2026, the Company intends to complete a non-brokered private placement of up to 30,000,000 units of the Company (each, a "Unit") to be completed on or before closing of the Transaction at an issue price of \$0.10 per Unit, for gross proceeds of up to \$3,000,000 (the "Concurrent Offering"). In addition, the board of directors of the Company has approved an over-allotment of 25% of the Units.

24. Subsequent event (continued)

Each Unit will consist of one common share of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant will entitle the holder to purchase one Common Share (a “Warrant Share”) at a price of \$0.13 per Warrant Share until the date which is twenty-four (24) months following the closing of the Concurrent Offering. The expiry date of the Warrants may be accelerated by the Company if the volume weighted average price of the Common Shares on the Exchange is greater than or equal to \$0.30 over a consecutive 30-day period. If this occurs, the Company may accelerate the expiry date of the Warrants by issuing a press release announcing the reduced Warrant term whereupon the Warrants will expire on the 10th trading day after the date of such press release.

Finder's fees may be paid in connection with the Concurrent Offering, in accordance with the policies of the Exchange. The proceeds of the Offering will be used to fund the expenses of the Transaction and the Offering and the working capital requirements of the Resulting Issuer.