

# **MINEHUB TECHNOLOGIES INC.**

Consolidated Financial Statements

For the Years Ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Minehub Technologies Inc.

### Opinion

We have audited the consolidated financial statements of Minehub Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively 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 January 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes matters and 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. Our opinion is not modified in respect of this matter.

### Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

*DML*

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

May 31, 2022



An independent firm  
associated with Moore  
Global Network Limited

**MINEHUB TECHNOLOGIES INC.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	January 31, 2022	January 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 2,940,996	\$ 456,179
Receivables	4	191,135	125,918
Prepaid expenses	8	682,933	263,000
<b>Total assets</b>		<b>\$ 3,815,064</b>	<b>\$ 845,097</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	5,10	\$ 658,527	\$ 889,925
Short-term loans	6	-	252,766
Convertible notes	7	1,245,787	898,681
		1,904,314	2,041,372
<b>Long-term liabilities</b>			
Convertible notes	7	-	752,547
<b>Total liabilities</b>		1,904,314	2,793,919
<b>Shareholders' equity</b>			
Share capital	8	17,228,945	5,232,840
Equity component of convertible debt reserve	8,9	104,334	131,507
Equity compensation reserve	8,9	1,962,707	424,506
Deficit		(17,385,236)	(7,737,675)
<b>Total shareholders' equity</b>		1,910,750	(1,948,822)
<b>Total liabilities and shareholders' equity</b>		<b>\$ 3,815,064</b>	<b>\$ 845,097</b>

Nature of and continuance of operations (Note 1)  
Subsequent events (Note 14)

Approved on behalf of the Board:

"Vince Sorace"

Vince Sorace, Director

"Joseph Nakhla"

Joseph Nakhla, Director

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

**MINEHUB TECHNOLOGIES INC.**  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

	Notes	Year Ended January 31, 2022	Year Ended January 31, 2021
<b>Revenue</b>		\$ -	\$ 67,367
<b>Expenses</b>			
Administrative services	10	64,500	70,000
Consulting	8	1,495,364	56,419
Finance expense	8	473,215	78,430
Interest expense and accretion	6,7	275,777	111,585
Development costs	3	3,638,697	1,665,896
License fee		-	158,905
Management fees	10	704,912	463,994
Marketing		419,105	10,221
Office and miscellaneous		525,521	95,505
Payroll expenses	10	484,129	67,080
Professional fees		500,878	213,993
Regulatory fees		121,096	1,124
Stock-based compensation	8,10	903,644	351,701
Travel		7,861	8,849
		(9,614,699)	(3,353,702)
<b>Other income (expenses)</b>			
Loss on debt settlement	6	(14,300)	-
Loan discount	6	-	45,216
Foreign exchange gain (loss)		(18,562)	(4,476)
		(32,862)	40,740
<b>Net and comprehensive loss</b>		\$ (9,647,561)	\$ (3,245,595)
<b>Loss per share – basic and diluted</b>		\$ (0.18)	\$ (0.08)
<b>Weighted Average Number of Shares Outstanding – basic and diluted</b>		53,461,536	39,157,607

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

**MINEHUB TECHNOLOGIES INC.**

 Consolidated Statements of Changes in Shareholders' Equity  
 (Expressed in Canadian dollars)

	Notes	Share Capital		Equity Compensation Reserve	Equity Component of Convertible Debt Reserve	Deficit	Total Shareholders' Equity
		Number of Shares	Amount				
Balance, January 31, 2020		33,771,000	2,456,050	38,571	-	\$(4,500,188)	(2,005,567)
Shares issued for cash, net of share issue cost	8	9,277,250	2,343,160	-	-	-	2,343,160
Shares issued as finder fee	8	906,000	-	-	-	-	-
Shares issued as bonus on financings	7,8	199,200	49,800	-	-	-	49,800
Shares issued for services	8	729,700	345,300	-	-	-	345,300
Shares issued for debt	6,8	154,120	38,530	-	-	-	38,530
Debt reclassifications	6,7	-	-	63,512	131,507	-	195,019
Compensation warrants	8	-	-	28,630	-	-	28,630
Stock-based compensation	8,10	-	-	301,901	-	-	301,901
Options cancelled	8	-	-	(8,108)	-	8,108	-
Net and comprehensive loss for the year		-	-	-	-	(3,245,595)	(3,245,595)
Balance, January 31, 2021		45,037,270	\$ 5,232,840	\$ 424,506	\$ 131,507	\$(7,737,675)	\$ (1,948,822)
Shares issued for cash, net of share issue cost	8	15,299,350	11,517,971	303,543	-	-	11,821,514
Shares issued as finders' fee	8	50,000	-	-	-	-	-
Cancellation of founders' shares and issued for prepaid services	8	(692,000)	(96,050)	-	-	-	(96,050)
Shares issued for services	8	431,000	253,000	-	-	-	253,000
Repayment of convertible debt	7,8	286,600	143,739	-	(27,173)	-	116,565
Compensation warrants	8	-	-	425,311	-	-	425,311
Warrant exercise	8	162,523	125,023	-	-	-	125,023
Fair value reallocation on warrant exercise	8	-	38,301	(38,301)	-	-	-
Stock option exercise	8	28,750	8,125	-	-	-	8,125
Fair value reallocation on stock option exercise		-	5,996	(5,996)	-	-	-
Stock-based compensation	8,10	-	-	853,644	-	-	853,644
Net and comprehensive loss for the year		-	-	-	-	(9,647,561)	(9,647,561)
Balance, January 31, 2022		60,603,493	\$ 17,228,945	\$ 1,962,707	\$ 104,334	\$(17,385,236)	\$ (1,910,750)

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

**MINEHUB TECHNOLOGIES INC.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year Ended January 31, 2022	Year Ended January 31, 2021
Cash provided by (used in):		
Operating activities		
Net loss	\$ (9,647,561)	\$ (3,245,595)
Item not effecting cash:		
Interest expense and accretion	275,771	111,585
Loan discount	-	(45,216)
Foreign exchange	-	(2,029)
Bonus shares	-	49,800
Shares for services	253,000	345,300
Compensation warrants	425,311	28,630
Stock-based compensation	903,644	351,701
Loss on debt settlement	14,300	-
Changes in non-cash working capital items:		
Accounts receivable	(65,217)	(104,654)
Prepaid expenses	(419,933)	(261,500)
Accounts payable and accrued liabilities	(231,398)	(93,147)
Unearned revenue	-	(6,617)
<b>Net cash used in operating activities</b>	<b>(8,588,083)</b>	<b>(2,871,742)</b>
Financing activities		
Proceeds from issuance of shares, net of issue costs	11,771,464	2,293,360
Loans' proceeds	-	1,000,000
Loan repayment	(831,712)	-
Proceeds from stock option and warrant exercises	133,148	-
<b>Net cash provided by financing activities</b>	<b>11,072,900</b>	<b>3,293,360</b>
Increase in cash	2,484,817	421,618
Cash, beginning	456,179	34,561
<b>Cash, ending</b>	<b>\$ 2,940,996</b>	<b>\$ 456,179</b>
Non-cash transactions:		
Shares issued for repayment of convertible debt	\$ 138,305	\$ 38,530

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

## **MINEHUB TECHNOLOGIES INC.**

Notes to Consolidated Financial Statements

For the years ended January 31, 2022 and 2021

(Expressed in Canadian dollars)

### **1. Nature and continuance of operations**

MineHub Technologies Inc. (the “Company”) was incorporated in the province of British Columbia on February 19, 2018. The Company is engaged in the development and operation of a block-chain technology platform for the mining industry. The Company’s registered and records office is 400-725 Granville Street, Vancouver, British Columbia, V7Y 1G5. The Company’s head office is located at 717-1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3. On September 7, 2021, the Company’s common shares began trading on the TSX Venture Exchange (“TSX-V”) under the ticker MHUB and on the OTCQB under the ticker MHUBF.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2022, the Company has generated minimal revenues and has incurred losses since inception. The Company’s continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments.

These consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2022.

### **2. Significant accounting policies**

#### **(a) Statement of compliance to International Financial Reporting Standards**

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

#### **(b) Basis of preparation**

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The policies set out below were consistently applied to all periods presented unless otherwise noted.

#### **(c) Use of estimates and assumptions**

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

**MINEHUB TECHNOLOGIES INC.**  
Notes to Consolidated Financial Statements  
For the years ended January 31, 2022 and 2021  
(Expressed in Canadian dollars)

**2. Significant accounting policies (continued)**

(c) Use of estimates and assumptions (continued)

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

(d) Significant judgments

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's consolidated financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- Whether the expenditures incurred on the development of the Company's platform meets the criteria for recognition as an intangible asset pursuant to IAS 38 *Intangible Assets*. The Company has determined that to date the Company's platform under development does not meet the capitalization criteria. Consequently, the expenditures incurred that are directly attributable to its development have been expensed.

(e) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minehub (USA) Inc. and Minehub Technologies Netherlands B.V. All inter-company balances and transactions have been eliminated upon consolidation.

(f) Cash

Cash includes cash on hand and deposits held at call with banks.

(g) Intangible assets

Intangible assets acquired from third parties are measured initially at their fair value and either classified as indefinite life or finite life depending on their characteristics. Internally generated intangible assets, such as development costs, are capitalized only when the product is technically and commercially feasible, the costs of generating the asset can be reliably measured, and there is an adequate plan to complete the project. Where these criteria are not met, these costs are expensed as development costs. Revenues associated with testing products under development is recorded as a reduction of development costs. Intangible assets with indefinite lives are tested for impairment at least annually and intangible assets with finite lives are reviewed for indicators of impairment at least annually.

(h) Foreign currency translation

Functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**MINEHUB TECHNOLOGIES INC.**  
Notes to Consolidated Financial Statements  
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(Expressed in Canadian dollars)

**2. Significant accounting policies (continued)**

(h) Foreign currency translation (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(i) Income taxes

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(j) Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**MINEHUB TECHNOLOGIES INC.**  
Notes to Consolidated Financial Statements  
For the years ended January 31, 2022 and 2021  
(Expressed in Canadian dollars)

**2. Significant accounting policies (continued)**

(j) Financial instruments (continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

**2. Significant accounting policies (continued)**

(l) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(m) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(n) Revenue recognition

Revenue is recognized by applying the five-step model under IFRS 15, Revenue from Contracts with customers. The Company recognizes revenue when services and performance obligations are satisfied.

The Company generates revenue from the sale of subscription-based access to the Company's software platform. The Company uses block-chain enabled technology to allow real-time visibility and collaboration of upstream and downstream supply chains in the mining industry. Access to the platform is purchased on a subscription basis. Revenue is measured based on the consideration specified in a contract with a customer and excludes sales tax amounts and other amounts collected on behalf of third parties.

Subscription-based services

The Company offers subscription services, which allow customer the access to the Company's software platform over the contract period. The revenue from this subscription service is recognized ratably over the contract period, commencing on the date the customer enters into the subscription agreement and the customer has the right to use and access the platform. Contract assets representing unbilled services rendered are included in "Receivables" in the consolidated statements of financial position. Contract liabilities representing amounts invoiced before the recognition of services are presented under "Unearned revenue" in the consolidated statements of financial position.

(o) Accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

**MINEHUB TECHNOLOGIES INC.**  
Notes to Consolidated Financial Statements  
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**3. Development costs**

On December 18, 2018, the Company entered into an agreement with The International Business Machines Corporation (“IBM”) to collaboratively develop a block-chain enabled platform solution to track and trace minerals from miners to end buyers. During the year ended January 31, 2022, the Company engaged IBM Netherland B.V. and other various vendors to continue in the development process of the platform and incurred development costs of \$3,177,793 (2021 - \$1,665,896) (Note 5).

**4. Receivables**

	January 31, 2022	January 31, 2021
Sales taxes recoverable	\$ 191,135	\$ 119,528
Other receivables	-	6,390
	<u>\$ 191,135</u>	<u>\$ 125,918</u>

**5. Trade payables and accrued liabilities**

	January 31, 2022	January 31, 2021
Trade payables (Note 10)	\$ 143,483	\$ 179,929
IBM (Note 3)	387,572	460,610
Accrued liabilities (Note 10)	127,472	249,386
	<u>\$ 658,527</u>	<u>\$ 889,925</u>

**6. Short-term loans**

(a) On December 19, 2018, the Company entered into a loan agreement to borrow an amount of US \$80,000 (\$107,200) to be used for working capital, repayable in two months, bearing 5% interest per annum on default and has a bonus payment of US \$8,000 (\$10,720) on settlement recorded in interest expense during the year ended January 31, 2020. During the year ended January 31, 2022, the Company accrued interest of \$Nil (2021: \$3,006) on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a convertible debenture in the amount of \$126,500 (Note 7(a)).

(b) On December 19, 2018, the Company entered into a loan agreement to borrow an amount of US \$275,000 (\$368,610) to be used for working capital, repayable in two months, bearing 5% interest per annum on default and has a bonus payment of US \$15,000 (\$20,100) on settlement recorded in interest expense during the year ended January 31, 2020. During the year ended January 31, 2022, the Company accrued interest of \$Nil (2021: \$9,601) on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of \$416,730 (Note 7(a)).

(c) On June 18, 2019, the Company entered into a loan agreement to borrow an amount of \$250,000 to be used for working capital. The loan bears interest at 10% per annum and is repayable on or before June 19, 2020. The Company issued 200,000 bonus shares with fair value of \$50,000 recognized in finance expense in connection with the loan. During the year ended January 31, 2021, the Company renewed the loan and extended the maturity date to March 31, 2022. The extension of the maturity date resulted in a modification to the term of the loan. The Company recognized a loss of \$45,216 and the loan is carried at the amortized cost of \$252,766 at January 31, 2022. The loan discount uses an effective interest rate of 12% and is amortized over the life of the loan. During the year ended January 31, 2022, the Company accrued \$39,646 of interest and accretion (2021: \$32,503). On September 24, 2021, the Company repaid the loan and interest in full by paying \$306,712, resulting in a loss on debt settlement of \$14,300.

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**6. Short-term loans (continued)**

(d) On June 19, 2019, the Company entered into a loan agreement with a company related by common director and officer to borrow an amount of \$150,000 for a duration of 120 days. The loan bears interest at 10% per annum. The Company issued 120,000 bonus shares with fair value of \$30,000 recognized in finance expense in connection with the loan. During the year ended January 31, 2022, the Company accrued interest of \$Nil (2021: \$7,512) of interest.

On July 31, 2020, the loan was acquired by another lender and the Company entered into an agreement with the new lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of \$166,800 (Note 7(a)).

(e) On July 22, 2019, the Company entered into a loan agreement with a company related by common director and officer to borrow an amount of \$35,000 for a duration of 120 days. The loan bears interest at 10% per annum. The Company issued 28,000 bonus shares with fair value of \$7,000 recognized in finance expense in connection with the loan. During the year ended January 31, 2022, the Company accrued \$Nil (2021: \$1,746) of interest. On July 31, 2020, the Company paid for the principal of the loan and accrued interest with 154,120 shares with fair value of \$38,530 (Note 8).

(f) In January 2020, the Company entered into a loan agreement to borrow an amount of \$75,000 to be used for working capital, repayable in two months, bearing 5% interest per annum and has a bonus payment of \$4,000 on settlement recorded in interest expense during the year ended January 31, 2020. During the year ended January 31, 2022, the Company accrued interest of \$Nil (2021: \$1,970) on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of \$80,970 (Note 7(a)).

Details of movement of the short-term loans are as follows:

	January 31, 2022	January 31, 2021
Balance, beginning	\$ 252,766	\$ 1,073,203
Loan additions	-	-
Loan repayments	(306,712)	(38,530)
Loan amounts converted (Note 7)	-	(791,000)
Interest accrued	39,646	56,338
Loan discount	-	(45,216)
Loss on debt settlement	14,300	-
Foreign exchange	-	(2,029)
Balance, ending	\$ -	\$ 252,766

**7. Convertible debt**

(a) On July 31, 2020, the Company entered into an agreement to combine four outstanding short-term loans into one convertible debenture with principal amount of \$791,000 (Note 6(a,b,d,f)). The convertible debenture matures in two years on July 31, 2022 and bears simple interest of 5% per annum. The lender has an option to convert all or a portion of the principal amount of \$664,500 and accrued interest into units of the Company at \$0.25 per unit and \$126,500 into common shares of the Company at \$0.25 per share. Each unit consists of one common share of the Company and one-half share purchase warrant entitling the holder to purchase one share of the Company at an exercise price of \$0.50 per share until July 31, 2023.

The convertible debenture is a compound financial instrument as it includes both a liability and equity components. On initial recognition, the Company determined the fair value of the liability component on the date of issue to be \$702,971. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 12%. The equity component of the debenture was determined to be \$88,029, which comprises of the principal value less the liability component.

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**7. Convertible debt (continued)**

Details of movement of the convertible promissory debentures are as follows:

	January 31, 2022	January 31, 2021
Balance, beginning	\$ 752,547	\$ -
Loans amount converted or assigned (Notes 7 (c,d))	(40,000)	791,000
Equity component of convertible debenture	-	(88,029)
Accretion of convertible debenture	36,563	29,639
Interest accrued	38,904	19,937
Balance, ending	\$ 788,014	\$ 752,547

(b) On January 21, 2021, the Company entered into two convertible promissory note agreements to borrow an amount of \$500,000 each for total proceeds of \$1,000,000. Each convertible note matured in one year on January 21, 2022 and bears interest of 10% per annum. As the Company did not complete an Initial Public Offering (“IPO”) within the first six month from the agreement date, the interest increased to 15% per annum. In addition, the Company issued 199,200 units to the lenders as a result of the delayed IPO (Note 8). The lenders were required to convert a minimum of 25% of the outstanding principal amount and accrued interest into common shares of the Company at \$0.50 per share on the event of an IPO (occurred September 7, 2021). The lenders have an option to convert all or any portion of the remaining 75% of the outstanding principal and accrued interest into common shares of the Company at \$0.50 per share. Additionally, the Company issued 150,000 share purchase warrants to each lender for total 300,000 share purchase warrants (Note 8). Each purchase warrant entitles the holder to purchase one share of the Company at an exercise price of \$0.75 per share until January 21, 2023.

The convertible promissory notes are a compound financial instrument as it includes both a liability and equity components. On initial recognition, the Company determined the fair value of the liability component of each convertible note on the date of issue to be \$478,261. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 12%. The equity component of each promissory note was determined to be \$21,739, which comprises of the principal value less the liability component. The fair value of the 150,000 warrants for each promissory note was determined to be \$31,756 using Black-Scholes Option Pricing Model with the following assumptions: Number of warrants: 150,000; Risk free rate of 0.16%; Expected life of 2 years; Expected volatility of 100% and dividend yield on \$Nil. On April 16, 2021, the Company repaid in full the principal and accrued interest for total amount of \$525,000 of one convertible promissory note. On September 1, 2021, the remaining lender converted \$125,000 in principal and \$8,305 in interest in exchange for 266,600 common shares with a fair value of \$138,739 (Note 8).

Details of movement of the convertible promissory notes are as follows:

	January 31, 2022	January 31, 2021
Balance, beginning	\$ 898,681	\$ -
Amount advanced (repaid)	(525,000)	1,000,000
Loan amounts converted	(138,739)	-
Equity component of convertible debenture	27,173	(43,478)
Warrant component of convertible debenture	-	(63,512)
Accretion of convertible debenture	95,676	2,932
Interest accrued	64,212	2,739
Balance, ending	\$ 422,003	\$ 898,681

Subsequent to January 31, 2022, \$375,000 of the principal and \$48,647 of accrued interest were converted into 750,000 common shares (Note 14).

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**7. Convertible Debt (continued)**

(c) On September 4, 2021, \$20,000 of the principal from the loan described in Note 7(a) was assigned to a new lender with the same terms. On December 8, 2021, the lender converted \$5,000 in principal into 20,000 common shares with a fair value of \$5,000 and 10,000 share purchase warrants (Note 8).

Details of movement of the convertible promissory note are as follows:

	January 31, 2022	January 31, 2021
Balance, beginning	\$ -	\$ -
Loan amount assigned (Note 7(a))	20,000	-
Loan amount converted	(5,000)	-
Interest accrued	366	-
Balance, ending	\$ 15,366	\$ -

Subsequent to January 31, 2022, \$15,000 of the principal and \$366 of accrued interest were converted into 60,000 common shares and 30,000 share purchase warrants (Note 14).

(d) On September 4, 2021, an additional \$20,000 of the principal from the loan described in Note 7(a) was assigned to a new lender with the same terms.

Details of movement of the convertible promissory note are as follows:

	January 31, 2022	January 31, 2021
Balance, beginning	\$ -	\$ -
Loans amount assigned (Note 7(a))	20,000	-
Interest accrued	404	-
Balance, ending	\$ 20,404	\$ -

**8. Share capital**

***Authorized share capital***

Unlimited common shares without par value.

***Issued share capital***

At January 31, 2022, there were 60,603,493 issued and fully paid common shares (2021 – 45,037,270).

***Share issuance***

***Year ended January 31, 2021:***

During the year ended January 31, 2021, the Company issued total 6,416,000 common shares for gross proceeds of \$1,554,000 and 2,861,250 units for total proceeds of \$770,000. A total 670,624 purchase warrant were issued exercisable at \$0.50 to \$0.64 per share for 2 to 3 years. The Company incurred cash share issue cost of \$30,640. The Company recorded a difference of \$49,800 in the founder's shares value and fair value as share-based payments in the consolidated statements of comprehensive loss.

During the year ended January 31, 2021, the Company issued 729,700 common shares at prices varying from \$0.25 to \$0.50 per share for services. The Company recorded \$258,000 in prepaid expenses, \$70,125 in management fees and \$17,175 in consulting fees (Note 10).

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**8. Share capital (continued)**

During the year ended January 31, 2021, the Company issued 199,200 units at a price of \$0.25 per share as a bonus for delayed IPO for November 2019 and January 2020 share issuances (Note 7(b)). Each unit consists of one common share of the Company and one share purchase warrant exercisable at \$0.50 per share for a term of three years. The Company recorded \$49,800 as finance expense.

On July 31, 2020, the Company issued 154,120 shares at \$0.25 per share as shares for debt in the amount of \$38,530 (Note 6(e)).

On July 31, 2020, the Company issued 906,000 finder shares with a fair value of \$226,500 at an average price of \$0.25 per share for share issuances.

Year ended January 31, 2022:

On February 8, 2021, the Company cancelled 500,000 common shares originally issued to a founder of the Company at \$0.001 and on March 15, 2021 the Company cancelled 192,000 common shares issued at \$0.50 for prepaid services.

On March 1, 2021, the Company issued 200,000 common shares of the Company with a fair value of \$100,000 for prepaid services, recorded on the consolidated statement of financial position. During the year ended January 31, 2022, the Company recognized \$45,833 in finance expense based on the services provided during the year.

On March 15, 2021, the Company issued 156,000 common shares of the Company with a fair value of \$78,000 for prepaid services. During the year ended January 31, 2022, the Company recognized \$78,000 in consulting fees based on the services provided during the year.

On April 1, 2021, the Company issued 400,000 common shares of the Company at a price of \$0.375 per share for gross proceeds of \$150,000. The fair value of the shares was determined to be \$0.50 per share and accordingly, stock-based compensation expense of \$50,000 for the difference in fair value was recognized.

On April 13, 2021, the Company issued 4,780,000 common shares of the Company at a price of \$0.50 for gross proceeds of \$2,390,000. In connection with the issuances, the Company incurred cash share issuance costs of \$14,950.

On May 3, 2021, the Company entered into a service agreement with Red Cloud Financial Services Inc. ("RCFS") whereby the Company will pay RCFS \$10,000 per month for 6 months by issuing total 75,000 common shares. On June 15, 2021, the Company issued 75,000 common shares with a fair value of \$75,000 to RCFS pursuant to the service agreement.

On June 10, 2021, the Company issued 9,200,000 subscription receipts in connection with a brokered private placement and issued 919,350 subscription receipts in connection with a non-brokered placement at \$1.00 per subscription receipts for total gross proceeds of \$10,119,350. In connection with the brokered private placement, the Company paid \$50,000 in cash and issued 50,000 common shares with a fair value of \$50,000 to finders and incurred legal costs totaling \$95,183 in connection with the placement.

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**8. Share capital (continued)**

On August 26, 2021, the Company satisfied the escrow release conditions relating to the private placements, including the acceptance of the Company's final prospectus dated August 18, 2021 and conditional approval from the TSX-V to list the issued and outstanding common shares of the Company. Accordingly, 10,119,350 common shares were issued to the holders of the subscription receipts and \$9,391,647 in cash was released from escrow, which represents the net proceeds after accounting for additional agents' fees of \$727,703. Also in connection with the close of the private placement, a total of 599,800 agent warrants with a fair value of \$303,543 were issued.

On September 1, 2021, the Company settled \$125,000 in principal and \$8,305 in interest in exchange for 266,600 common shares with a fair value of \$138,739 (Note 7(b)).

On December 8, 2021, the Company issued 20,000 common shares with a fair value of \$5,000 and 10,000 share purchase warrants pursuant to the conversion of \$5,000 in principal of convertible debt (Note 7(c)).

During the year ended January 31, 2022, the Company issued 162,523 common shares pursuant to the exercise of 162,523 warrants at an exercise price of \$0.50 per warrant for gross proceeds of \$125,023. Pursuant to the exercise, a fair value reallocation between reserves and share capital in the amount of \$38,301 was made. The average share price on the dates of exercise was \$1.11.

During the year ended January 31, 2022, the Company issued 28,750 common shares pursuant to the exercise of 28,750 options exercise prices of \$0.25 and \$0.50 per option for gross proceeds of \$8,125. Pursuant to the exercise, a fair value reallocation between reserves and share capital in the amount of \$5,996 was made. The share price on the date of exercise was \$1.04.

***Escrow***

At January 31, 2022, there were 12,621,259 shares in escrow (2021 – Nil). These shares will be released 15% every 3 months beginning March 2022.

***Warrants***

Warrant transactions are summarized as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants outstanding, January 31, 2020	2,253,120	\$ 0.50
Issued	1,509,824	\$ 0.58
Warrants outstanding, January 31, 2021	3,762,944	\$ 0.53
Issued	2,309,800	\$ 0.58
Exercised	(162,523)	\$ 0.77
Warrants outstanding, January 31, 2022	5,910,221	\$ 0.54

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**8. Share capital (continued)**

*Warrants (continued)*

Details of warrants outstanding as at January 31, 2022 are as follows:

<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Balance, end of year</b>
\$0.64	March 31, 2022	100,000
\$0.50	October 13, 2022	195,311
\$0.64	October 13, 2022	195,313
\$0.50	October 28, 2022	261,120
\$0.50	November 14, 2022	2,215,200
\$0.75	January 21, 2023	150,000
\$0.50	January 31, 2023	176,000
\$0.50	March 31, 2023	240,000
\$0.50	April 29, 2023	80,000
\$0.25	September 7, 2022	500,000
\$0.50	September 7, 2022	500,000
\$0.50	March 1, 2023	700,000
\$1.00	September 7, 2022	72,000
\$1.00	August 26, 2023	515,277
\$1.50	July 31, 2023	10,000
		5,910,221

At January 31, 2022, the weighted-average remaining contractual life of warrants outstanding was 0.87 years.

During the year ended January 31, 2021 the Company issued 400,000 warrants exercisable at \$0.64 to \$0.75 per share in relation to short term loans and convertible debt and issued 240,000 compensation warrants at an exercise price of \$0.50 per share for a period of three years ending March 31, 2023. The Company recognized \$28,630 in finance expense, determined using the Black-Scholes Option Pricing Model with the following assumptions: Average risk free interest rate of 0.53%; expected life of 3 years; expected volatility of 100% and dividend yield of \$Nil.

On February 1, 2021, the Company issued 500,000 compensation warrants at an exercise price of \$0.25 per share with an expiry date one year from the date that the Company completes a listing of its common shares on a Canadian stock exchange, which was estimated to be August 31, 2021 and actually occurred on September 7, 2021. The compensation warrants vest according to the following schedule: 25% three months from the listing date, 25% six months from the listing date, 25% nine months from the listing date and 25% twelve months from the listing date. The total fair value of the compensation warrants was determined to be \$161,760 using the Black-Scholes Option Pricing Model with the following assumptions: average risk-free interest rate of 0.23%; expected life of 1.58 years; expected volatility of 100% and dividend yield of \$Nil. The Company recognized \$133,961 in finance expense on the consolidated statement of comprehensive loss during the year ended January 31, 2022 in accordance with the vesting of the compensation warrants.

On February 1, 2021, the Company issued 500,000 compensation warrants at an exercise price of \$0.50 per share with an expiry date one year from the date that the Company completes a listing of its common shares on a Canadian stock exchange, which was estimated to be August 31, 2021 and actually occurred on September 7, 2021. The compensation warrants vest according to the following schedule: 25% on the listing date, 25% three months from the listing date, 25% six months from the listing date and 25% nine months from the listing date. The total fair value of the compensation warrants was determined to be \$117,757 using the Black-Scholes Option Pricing Model with the following assumptions: average risk-free interest rate of 0.23%; expected life of 1.58 years; expected volatility of 100% and dividend yield of \$Nil. The Company recognized \$108,355 in finance expense on the consolidated statement of comprehensive loss during the year ended January 31, 2022 in accordance with the vesting of the compensation warrants.

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**8. Share capital (continued)**

*Warrants (continued)*

On March 1, 2021, the Company issued 700,000 compensation warrants in exchange for services at an exercise price of \$0.50 per share with an expiry date of March 1, 2023. The compensation warrants vest immediately. The total fair value of the compensation warrants was determined to be \$182,995 using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.49%; expected life of 2 years; expected volatility of 100% and dividend yield of \$Nil. The Company recognized \$182,995 in prepaid expense and is amortizing the prepaid expense over the service period of two years. During the year ended January 31, 2022, the Company recognized \$83,873 in finance expense on the consolidated statement of comprehensive loss.

On August 26, 2021 and September 3, 2021, in connection with the June 10, 2021 private placement, the Company granted 527,800 and 72,000 agent warrants, respectively at an exercise price of \$1.00 per share with an expiry date two and one years from the grant date, respectively. The total fair value of the agent warrants was determined to be \$303,543 using the Black-Scholes Option Pricing Model with the following assumptions: average risk-free interest rate of 0.46%; expected life of 1.88 years; expected volatility of 100% and dividend yield of \$Nil. The Company recognized \$303,543 in share issuance costs pertaining to the grant.

On December 8, 2021, the Company issued 10,000 share purchase warrants pursuant to the conversion of \$5,000 in principal of convertible debt (Note 7(c)).

*Stock options*

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted.

Stock options transactions are summarized as follows:

	Number of options	Weighted average exercise price
Options outstanding, January 31, 2020	350,000	0.50
Issued	4,405,000	0.29
Expired	(350,000)	0.50
Options outstanding, January 31, 2021	4,405,000	\$ 0.29
Issued	1,255,000	0.95
Exercised	(28,750)	0.28
Cancelled	(36,250)	0.33
Options outstanding, January 31, 2022	5,595,000	\$ 0.44
Options exercisable, January 31, 2022	2,201,250	\$ 0.29

On September 1, 2020, the Company granted 2,425,000 stock options to officers and consultants of the Company at an exercise price of \$0.25 per common share for a period of five years ending September 1, 2025. The options vest in four equal parts over two years ending September 1, 2022. The total value of these options on grant date was \$447,807 and the Company recognized \$211,386 (2021 - \$196,260) in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 0.34%; Expected life of 5 years; Expected volatility of 100% and dividend yield of \$Nil.

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**8. Share capital (continued)**

*Stock options (continued)*

On September 29, 2020, the Company granted 1,300,000 stock options to directors of the Company at an exercise price of \$0.25 per common share for a period of five years ending September 29, 2025. The options vest in four equal parts over two years ending September 29, 2022. The total value of these options on grant date was \$240,012 and the Company recognized \$115,996 (2021 - \$104,207) in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 0.31%; Expected life of 5 years; Expected volatility of 100% and dividend yield of \$Nil.

On January 29, 2021, the Company granted 680,000 stock options to officers and consultants of the Company at an exercise price of \$0.50 per common share for a period of five years ending January 29, 2026. The options vest in four equal parts over two years ending January 29, 2023. The total value of these options on grant date was \$250,089 and the Company recognized \$194,085 (2021 - \$1,434) in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: Risk free interest rate of 0.31%; Expected life of 5 years; Expected volatility of 100% and dividend yield of \$Nil.

On April 13, 2021, the Company granted 125,000 stock options to consultants of the Company at an exercise price of \$0.50 per common share for a period of five years ending April 13, 2026. The options vest in four equal parts over two years ending April 13, 2023. The total value of these options on grant date was \$46,408 and the Company recognized \$36,732 in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.93%; expected life of 5 years; expected volatility of 100% and dividend yield of \$Nil.

On September 2, 2021, the Company granted 520,000 stock options to consultants of the Company at an exercise price of \$1.00 per common share for a period of five years ending September 2, 2026. Of the options, 60,000 vested immediately and \$44,795 in stock-based compensation was recorded, determined using the same assumptions as below. The remaining options vest in four equal parts over two years ending September 2, 2023. The total value of these options on grant date was \$343,425 and the Company recognized \$148,648 in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.56%; expected life of 5 years; expected volatility of 100% and dividend yield of \$Nil.

On November 1, 2021, the Company granted 500,000 stock options to consultants of the Company at an exercise price of \$1.06 per common share for a period of five years ending November 1, 2026. The options vest in four equal parts over two years ending November 1, 2023. The total value of these options on grant date was \$369,500 and the Company recognized \$96,384 in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.56%; expected life of 5 years; expected volatility of 100% and dividend yield of \$Nil.

On January 4, 2022, the Company granted 10,000 stock options to a consultant of the Company at an exercise price of \$1.00 per common share for a period of 20 months ending September 17, 2023. The options vest after certain performance milestones are achieved. The total value of these options on grant date was \$4,709 and the Company recognized \$Nil in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.26%; expected life of 1.72 years; expected volatility of 100% and dividend yield of \$Nil.

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**8. Share capital (continued)**

*Stock options (continued)*

On January 5, 2022, the Company granted 100,000 stock options to a consultant of the Company at an exercise price of \$0.97 per common share for a period of five years ending January 5, 2027. The options vest in four equal parts over two years ending January 5, 2024. The total value of these options on grant date was \$75,383 and the Company recognized \$5,618 in stock-based compensation expense for the portion of options vested during the year ended January 31, 2022, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.67%; expected life of 5 years; expected volatility of 100% and dividend yield of \$Nil.

During the year ended January 31, 2022, the Company recorded \$903,645 (2021 - \$351,701) in stock-based compensation expense, which includes \$853,644 for options vested and \$50,000 for the difference in fair value from the April 1, 2021 private placement.

**9. Reserves**

*Equity compensation reserve*

The equity compensation reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised and cancelled, the amount recorded is transferred to deficit.

*Equity component of convertible debt reserve*

The convertible debt reserve records the equity component of convertible debt with liability and equity components. On conversion, the amount recorded is transferred to share capital.

**10. Related party transactions**

Related party transactions are as follows:

	<b>Year Ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Administrative services	\$ 64,500	\$ 70,000
Management fees	692,252	463,994
Payroll expenses	129,938	41,672
	<b>\$ 886,690</b>	<b>\$ 575,666</b>

Key management compensation is as follows:

	<b>Year Ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Aggregate cash compensation	\$ 886,690	\$ 575,666
Stock-based compensation (Note 8)	401,237	181,286
	<b>\$ 1,287,927</b>	<b>\$ 756,952</b>

At January 31, 2022, included in accounts payable and accrued liabilities is \$7,652 (2021 - \$Nil) due to directors and officers or companies controlled by directors and officers. These amounts are unsecured, non-interest bearing and have no fixed payment terms (Note 5).

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**11. Income taxes**

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year Ended January 31, 2022	Year Ended January 31, 2021
Net loss before income taxes	\$ (9,647,561)	\$ (3,245,595)
Statutory tax rate	27.0%	27.0%
Expected income tax recovery at the statutory tax rate	(2,604,841)	(876,311)
Finance costs	(253,216)	(82,928)
Non-deductible expenses and other	355,105	102,690
Deferred tax assets not recognized	2,502,952	856,549
Income tax recovery	\$ -	\$ -

**11. Income taxes (continued)**

Details of deferred tax assets are as follows:

	January 31, 2022	January 31, 2021
Non-capital losses	\$ 2,074,938	\$ 708,871
Share-issue costs	268,709	91,222
Development costs	2,136,676	1,177,278
Valuation allowance	(4,480,323)	(1,977,371)
Net deferred tax asset	\$ -	\$ -

The Company has incurred losses of \$7,684,957 for tax purposes which are available to reduce future taxable income. The losses expire between 2039 and 2042.

**12. Financial instruments and risks**

(a) Fair values

The fair values of cash, receivables, accounts payable, short-term loans and convertible notes approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

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**12. Financial instruments and risks (continued)**

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is exposed to foreign exchange risk on fluctuations related to cash, receivables, and accounts payable denominated in US dollars and Euros. has significant liabilities denominated in foreign currencies; therefore, foreign exchange risk is assessed as high.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	<b>Year Ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash	\$ 17,230	\$ 139
Accounts payable	(40,070)	(461,028)
	<b>\$ (22,840)</b>	<b>\$ (460,889)</b>

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in Euros:

	<b>Year Ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash	\$ 398,043	\$ -
Receivables	141,975	109,605
Accounts payable	(412,717)	-
	<b>\$ 127,301</b>	<b>\$ 109,605</b>

Based on the above net exposures, as at January 31, 2022, a 5% change in the US dollar to the Canadian dollar would impact the Company's net loss by \$1,142 and by \$6,365 for a 5% change in the Euro to the Canadian dollar.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its research and development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

**13. Capital management**

The Company's capital structure consists of share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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 is dependent on external financing to fund its activities. In order to carry out research and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

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### **14. Subsequent events**

On February 1, 2022, the Company granted 100,000 stock options, which are exercisable at \$0.93 for a period of 5 years. The options vest in four equal parts over two years ending February 1, 2024.

On February 2, 2022, the Company issued 750,000 common shares pursuant to the conversion of \$375,000 in principal and \$48,647 in accrued interest related to convertible debt outstanding (Note 7(b)).

On March 18, 2022, the Company issued 60,000 common shares and 30,000 share purchase warrants pursuant to the conversion of \$15,000 in principal and \$366 in accrued interest related to convertible debt outstanding (Note 7(c)).

On March 23, 2022, the Company issued 100,000 common shares for gross proceeds of \$64,000 pursuant to the exercise of share purchase warrants.

On April 1, 2022, the Company issued 3,500,000 common shares and 1,750,000 share purchase warrants for gross proceeds of \$3,150,000 pursuant to the close of a non-brokered private placement.