

SATO Technologies Corp.
(formerly Canada Computational Unlimited Corp.)

(Unaudited - Prepared by Management)

Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2022 and 2021

(expressed in Canadian dollars)

Condensed Interim Consolidated Financial Statements	
Financial Position	2
Income (Loss) and Comprehensive Income (Loss)	3
Changes in Shareholders' Equity	4
Cash Flows	5
Notes to Financial Statements	6 - 13

SATO Technologies Corp.

(formerly Canada Computational Unlimited Corp.)

Condensed Interim Consolidated Statements of Financial Position

as at September 30, 2022

(In Canadian dollars)

(Unaudited)

		September 30, 2022	December 31, 2021
		\$	\$
Assets			
Current assets			
Cash		986,313	794,324
Trades and other receivables	(Note 5)	1,284,018	500,196
Digital assets	(Note 6)	1,487,116	3,254,131
Deposits and prepaid expenses	(Note 4)	159,478	547,264
		3,916,925	5,095,915
Non-current assets			
Property, plant and equipment	(Note 7)	9,985,626	5,869,080
Intangible assets	(Note 8)	187,527	65,593
Right-of-use assets		1,597,635	1,248,111
Deposits and prepaid expenses	(Note 4)	432,486	223,987
Total assets		16,120,199	12,502,686
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	(Note 9)	2,200,322	2,968,335
Deferred revenue and customer deposits		2,178,223	308,096
Current portion of borrowings	(Note 10)	1,639,632	40,699
Current portion of lease liability		78,881	210,000
		6,097,058	3,527,130
Non-current liabilities			
Borrowings	(Note 10)	2,279,692	47,323
Deferred tax liabilities			10,026
Lease liability		1,639,492	1,096,631
Total liabilities		10,016,242	4,681,110
Shareholders' equity			
Share capital	(Note 11)	14,083,112	10,796,628
Contributed surplus		2,677,975	1,102,246
Digital currency revaluation reserve			174,391
Accumulated deficit		(10,657,130)	(4,251,689)
Total Shareholders' equity		6,103,957	7,821,576
Total liabilities and shareholders' equity		16,120,199	12,502,686

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

SATO Technologies Corp.

(formerly Canada Computational Unlimited Corp.)

Condensed Interim Consolidated Statements of Income (Loss) and

Comprehensive Income (Loss)

for the three months ended September 30, 2022 and 2021 and nine months ended September 30, 2022 and 2021

(In Canadian dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue				
Digital assets mined (Note 6)	\$ 903,575	\$ 1,086,763	\$ 2,066,604	\$ 3,163,575
Hosting	1,876,716	685,645	4,349,669	835,808
Other	9,979	74,669	104,905	92,669
	2,790,270	1,847,077	6,521,178	4,092,052
Cost of revenue				
Site operating costs	1,667,444	710,395	3,834,700	1,372,218
Salary and benefits	46,232	54,380	135,233	99,698
Depreciation (Note 7 and 8)	907,286	34,412	1,568,382	359,732
	2,620,962	799,187	5,538,315	1,831,648
Gross profit	169,308	1,047,890	982,863	2,260,404
Gain (loss) on use of digital assets (Note 6)	22,521	242,969	(128,056)	281,376
Revaluation gain (loss) of digital assets (Note 6)	49,590		(1,992,946)	
	241,419	1,290,859	(1,138,139)	2,541,780
Expenses				
Professional fees	400,772	37,355	613,013	409,523
Share based compensation (Note 11)	208,659	5,259	1,575,729	11,676
Listing expenses		372,896		673,843
General and administration (Note 12 and 13)	601,225	310,707	2,521,872	795,747
	1,210,656	726,217	4,710,614	1,890,789
Operating income (loss)	(969,237)	564,642	(5,848,753)	650,991
Other charges (income)				
Foreign exchange loss	6,051	36,925	75,605	32,818
Unrealized foreign exchange loss	217,650		217,650	
Finance expense (Note 10)	120,488	186,207	210,583	524,725
Listing costs expended		1,048,725		1,048,725
Finder's fees		520,600		520,600
Loss on loans payable		(545,216)		(635,597)
	344,189	1,247,241	503,838	1,491,271
Loss before income taxes	(1,313,426)	(682,599)	(6,352,591)	(840,280)
Deferred income taxes		321,755	52,850	321,755
Net loss	(1,313,426)	(1,004,354)	(6,405,441)	(1,162,035)
Other comprehensive income				
Items that will not be reclassified to net income				
Revaluation gain of digital asset, net of tax (Note 6)		119,884	(174,391)	441,642
Total comprehensive loss	(1,313,426)	(884,470)	(6,579,832)	(720,393)
Basic net loss per share	(0.02)	(0.02)	(0.09)	(0.02)
Diluted net loss per share	(0.02)	(0.02)	(0.09)	(0.02)

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

SATO Technologies Corp.

(formerly Canada Computational Unlimited Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

for the nine months ended September 30, 2022 and 2021

(In Canadian dollars)

(Unaudited)

	Common shares	Share capital	Contributed surplus	Digital asset revaluation reserve	Accumulated deficit	Total
Balance as at December 31, 2021	66,869,748	\$ 10,796,628	\$ 1,102,246	\$ 174,391	\$ (4,251,689)	\$ 7,821,576
Net loss for the year					(6,405,441)	(6,405,441)
Issuance of shares from private placement (Note 11)	3,912,481	3,286,484				3,286,484
Revaluation of digital assets, net of tax				(174,391)		(174,391)
Stock-based compensation expense (Note 11)			1,575,729			1,575,729
Balance as at September 30, 2022	70,782,229	14,083,112	2,677,975		(10,657,130)	6,103,957
Balance as at December 31, 2020	2,500,189	2,843,269	355,354	157,894	(2,522,020)	834,497
Net profit for the year					(720,393)	(720,393)
Issuance of shares and warrants from the concurrent private placement	8,639,804	3,474,124	845,778			4,319,902
Common shares and options deemed to be issued on reverse takeover	51,524,230	1,002,807	52,738			1,055,545
Issuance of shares for finder's fees	1,041,200	520,600				520,600
Revaluation of digital assets, net of tax				224,097		224,097
Stock-based compensation expense (Note 11)			11,676			11,676
Issuance of warrants (Note 11)			218,720			218,720
Balance as at September 30, 2021	63,705,423	7,840,800	1,484,266	381,991	(3,242,413)	6,464,644

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

SATO Technologies Corp.

(formerly Canada Computational Unlimited Corp.)

Condensed Interim Consolidated Statement of Cash Flows

for the three months ended September 30, 2022 and 2021 and nine months ended September 30, 2022 and 2021

(In Canadian dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating activities				
Net income (loss)	(1,313,426)	(1,004,354)	(6,405,441)	(1,162,035)
Change in non-cash operating items:				
Digital asset mined	(903,575)	(1,086,763)	(2,066,604)	(3,163,575)
Digital assets used to purchase property, plant and equipment		(3,208)		
Digital assets purchased		(1,282,504)		(1,282,504)
Digital assets received for services			(190,411)	
Digital assets given as donation			31,898	
Digital assets traded for cash	1,523,955	670,960	1,633,862	1,729,801
Depreciation	907,286	34,412	1,568,382	359,732
Loss (gain) on use of digital assets	(22,521)	(242,969)	128,056	(281,376)
Revaluation loss of digital assets	(49,590)		2,055,823	
Deferred income taxes		443,140	52,850	443,140
Share based compensation	208,659	5,259	1,575,729	11,676
Foreign exchange loss (gain)	6,051	36,925	75,605	32,818
Gain on loans payable reimbursement		(545,216)		(635,597)
Interest expense on loans payables		118,575	1,003	452,080
Interest on long term debt	60,754		60,754	
Interest on credit line	8,955		17,844	1,900
Interest on lease liabilities	50,191	25,419	130,982	53,555
Finder's fees		520,600		520,600
Listing costs expended		1,048,725		1,048,725
	476,739	(1,260,999)	(1,329,668)	(1,871,060)
Change in non-cash working capital				
Trades and other receivables	(297,534)	4,086,225	(783,822)	(287,078)
Deposits and prepaid expenses	96,232	(204,754)	179,287	(263,257)
Accounts payable and accrued liabilities	4,379	(4,575,697)	(1,509,929)	865,980
Deferred revenue and customer deposits	1,107,685	(17,064)	1,870,127	294,028
Total change in non-cash operating working capital	910,762	(711,290)	(244,337)	609,673
Net cash provided by (used in) operating activities	1,387,501	(1,972,289)	(1,574,005)	(1,261,387)
Investing activities				
Purchase of property, plant and equipment	(3,173,744)	(1,070,253)	(4,846,845)	(1,693,092)
Development of intangible assets	(45,545)	(70,221)	(159,573)	(70,221)
Net cash used in investing activities	(3,219,289)	(1,140,474)	(5,006,418)	(1,763,313)
Financing activities				
Issuance of long term debt net of financing costs	3,873,610		3,873,610	
Proceed from credit line			956,602	
Repayment of credit line	(965,557)		(974,446)	
Repayment of note payable	(10,213)	(9,911)	(31,414)	(29,513)
Repayment of long term debt	(290,301)		(290,301)	
Proceed from issuance of shares		4,319,902	3,286,484	4,319,902
Proceed from issuance of warrants		218,720		218,720
Cash acquired through the reverse takeover		29,111		29,111
Repayment of lease liabilities	(72,830)	(34,740)	(190,168)	(63,290)
Net cash provided by financing activities	2,534,709	4,523,082	6,630,367	4,474,930
Increased (decreased) in cash	702,921	1,410,319	49,944	1,450,230
Cash, beginning of period	71,793	338,043	794,324	294,025
Effect of exchange changes on cash	211,599	(36,925)	142,045	(32,818)
Cash, end of period	986,313	1,711,437	986,313	1,711,437
Interest paid	\$119,900	\$25,979	\$210,583	\$55,455

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

SATO Technologies Corp.

(formerly Canada Computational Unlimited Corp.)

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(In Canadian dollars)

(Unaudited)

1 INCORPORATION, BUSINESS ACTIVITIES AND GOING CONCERN

SATO Technologies Corp. (the "Company" or "SATO") was incorporated under the Ontario Business Corporations Act on May 7, 2008 as Capricorn Business Acquisitions Inc. ("Capricorn"). The Company's head office is located at 66 Wellington Street West, Suite 5300, Toronto, Ontario M5K 1E6 and its only place of business is located at 289 Dugas Joliette, Québec, Canada, J6E 4H1.

Canada Computational Unlimited Inc., the Company's wholly-owned subsidiary, was incorporated under the Business Corporations Act of Québec on November 16, 2017.

On May 25, 2021, Capricorn entered into an arrangement agreement with SATO Technologies Corp. (formerly Canada Computational Unlimited Inc. ("CCU")), whereby Capricorn agreed to acquire all of the issued and outstanding shares of SATO (the "Transaction"). The Transaction closed on September 7, 2021 in exchange of the issuance of common shares of Capricorn

Following the closing of the Transaction, Capricorn changed its name to SATO Technologies Corp. (formerly Canada Computational Unlimited Corp.)

The Company began trading under the ticker symbol "SATO" on the TSX Venture Exchange ("TSXV") on September 16, 2021. The Company is in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the bitcoin blockchain and other digital asset blockchains. The Company receives digital assets in return for successful service.

The Company is primarily engaged in the cryptocurrency mining industry, a highly volatile market with significant inherent risk. A significant decline in the market prices of cryptocurrencies, an increase in the difficulty of cryptocurrency mining, changes in the regulatory environment and adverse changes in other inherent risks can significantly and negatively impact the Company's operations. In addition, adverse changes to the factors mentioned above may impact the carrying value of the Company's property, plant and equipment resulting in impairment charges being recorded. All the assets of the Company's are located in Joliette, Quebec, Canada and the Company has one operating segment being the cryptocurrency mining

Going Concern

As at September 30, 2022, the Company had an accumulated deficit of \$10,657,130, \$4,251,689 as at December 31, 2021 and \$3,346,119 as at September 30, 2021.

Net loss for the nine months ended September 30, 2022 was \$6,405,441, net loss for the nine months ended ended September 30, 2021 was \$1,162,035. The Company had a working capital deficiency of \$2,180,133 as at September 30, 2022 and a working capital surplus of \$1,568,785 as at December 30, 2021. These conditions raise material uncertainties which may cast significant doubt as to whether the Company will be able to continue as a going concern.

These condensed consolidated financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern, namely its ability to generate sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year, is dependent upon its ability to arrange future financing, which is largely dependent upon prevailing capital market conditions, continued support of its shareholder base and achieving positive cash flows from operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2 STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These consolidated interim financial statements have been prepared in a condensed format as of September 30, 2022 and for the nine months then ended ("interim consolidated statements"). The interim condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2021, and for the year then ended and accompanying notes ("annual consolidated financial statements").

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IAS 34 Interim financial reporting.

These consolidated financial statements of the Company were reviewed, approved and authorized for issue by the Board of Directors on November 3rd, 2022.

Basis of presentation

These consolidated financial statements have been prepared on a accrual basis and under the historical cost basis, except for some financial instruments that have been measured at fair value

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, Canada Computational Unlimited Inc.

A subsidiary is an entity over which the Company has control. The Company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is acquired and de-consolidated from the date that control ceases.

The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany transactions and balances are eliminated upon consolidation.

3 SELECTED SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Digital asset mining

The Company recognizes revenue from the transaction verification services within digital asset networks, commonly termed "cryptocurrency mining". As consideration for these services, the Company receives digital assets from each specific cryptocurrency mining pool in which it participates. Revenue is measured based on the fair value of the digital assets received. The fair value is determined using the spot price of the digital assets on the date of receipt. Digital assets are considered earned on the completion and addition of a block to the blockchain, at which time the benefit is received and can be reliably measured.

Hosting

The Company has also entered into hosting contracts where it operates third party-owned mining equipment within its facilities. Revenue from hosting contracts is measured as the Company meets its obligation of operating the hosted equipment as per the contract.

Digital assets

Digital assets consist of Bitcoin and other cryptocurrencies. Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. They are initially recorded at cost and the revaluation method is used to measure the digital assets subsequently. Where digital assets are recognized as revenue, the fair value of the digital asset received is considered to be the cost of the digital assets. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital assets at the end of each quarter. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income. Gains and losses on digital assets sold between revaluation dates are included in profit or loss.

Digital assets are measured at fair value using the quoted price on Cryptocompare. Cryptocompare is a pricing aggregator, as the principal market or most advantageous market is not always known.

The Company believes any price difference amongst the principal market and an aggregated price to be immaterial. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital asset exchanges.

4 DEPOSITS AND PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Current	\$	\$
Prepaid electricity (i)		62,073
Deposit for miners and electrical equipment		254,026
Other prepaid expenses	159,478	231,165
Total current deposits and prepaids expenses	159,478	547,264
Non-current		
Deposits related to electricity supply under Electricity Supply Agreement (ii)	417,486	208,987
Other deposits	15,000	15,000
Total non-current deposits and prepaids expenses	432,486	223,987

(i) Electricity deposits for facility in Joliette, Québec.

(ii) Security deposit for future electricity usage.

5 TRADES AND OTHER RECEIVABLES

	September 30, 2022	December 31, 2021
	\$	\$
Taxes receivables	1,614,095	492,138
Other receivables	10,348	8,058
Provision for taxes receivables (i)	(340,425)	
Total trades and other receivable	1,284,018	500,196

(i) During the period ended September 30, 2022, the Company determined that its sales taxes receivables balance related to Goods and Services Tax ("GST") and Québec Sales Tax ("QST") may not be collectible. As a result, a provision for the balance of \$340,425 has been recorded.

6 DIGITAL ASSETS

The Company's holdings of digital assets consist of the following:

For the three months ended September 30, 2022					
	\$	Number of Bitcoin	\$	Number of Other Digital assets	Total \$
Balance, beginning of quarter	1,955,480	76	79,905	58	2,035,385
Digital assets mined	896,550	32	7,025	3	903,575
Digital assets traded for cash	(1,523,955)	(57)	-	-	(1,523,955)
Gain on use of digital assets	22,521	-	-	-	22,521
Revaluation of digital assets	21,712	-	27,878	-	49,590
Balance, end of period	1,372,308	51	114,808	61	1,487,116

For the nine months ended September 30, 2022					
	\$	Number of Bitcoin	\$	Number of Other Digital assets	Total \$
Balance, beginning of year	3,002,880	51	251,251	53	3,254,131
Digital assets mined	2,016,310	57	50,294	18	2,066,604
Digital assets traded for cash	(1,633,862)	(62)	-	-	(1,633,862)
Digital assets received for services	190,411	5	-	-	190,411
Digital assets given as a donation	-	-	(31,898)	(10)	(31,898)
Gain (loss) on use of digital assets	(112,974)	-	(15,082)	-	(128,056)
Revaluation of digital assets	(2,090,457)	-	(139,757)	-	(2,230,214)
Balance, end of period	1,372,308	51	114,808	61	1,487,116

December 31, 2021					
	\$	Number of Bitcoin	\$	Number of Other Digital assets	Total \$
Balance, beginning of year	653,882	18	-	-	653,882
Digital assets mined	4,246,519	71	170,864	55	4,417,383
Digital assets purchased	1,292,268	24	-	-	1,292,268
Digital assets used for debt payments	(1,653,155)	(30)	-	-	(1,653,155)
Digital assets traded for cash	(1,727,805)	(32)	-	-	(1,727,805)
Digital assets used to purchase property, plant and equipment	-	-	(3,208)	(2)	(3,208)
Gain (loss) on use of digital assets	252,233	-	87	-	252,320
Revaluation of digital assets	(61,062)	-	83,508	-	22,446
Balance, end of period	3,002,880	51	251,251	53	3,254,131

Digital assets held are reevaluated each reporting period based on the fair market value for the price of Bitcoin and Ethereum on the reporting period date.

As of September 30, 2022, the price of Bitcoin was \$26,908 (\$US 19,631) (December 31, 2021 - \$58,880 (\$US 46,442)) and the price of Ethereum was \$1,838 (\$US 1,341) (December 31, 2021 - \$4,741 (\$US 3,739)), resulting in a revaluation gain for the three months ended September 30, 2022 of \$49,950 net of taxes of nil (\$2,230,214 net of taxes of \$62,876 for the nine months ended September 30, 2022).

Of this loss \$174,391 was recorded as a loss in the other comprehensive income to off the cumulative gain.

Digital assets held by the Company are available for use, except the ones used as collateral on the long-term debt which represents 29 BTC (Note 10).

7 PROPERTY, PLANT AND EQUIPMENT

	Miners	Computer Equipment	Industrial Equipment	Leasehold improvement	Small equipment	In construction - Industrial Equipment	In construction - Miners	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance - December 31, 2020	1,808,746	231,004	383,902	169,915	28,614	573,957	-	3,196,138
Additions	1,457,914	12,845		4,894	13,580	3,339,400	79,899	4,908,532
Transfert (i)	15,989		1,141,477	35,188		(1,176,665)	(15,989)	-
Balance - December 31, 2021	3,282,649	243,849	1,525,379	209,997	42,194	2,736,692	63,910	8,104,670
Additions	2,669,297	12,059		440,496	1,500	2,404,654	-	5,528,006
Disposals		(3,799)						(3,799)
Transfert (i)	8,436		4,657,816	55,474		(4,657,816)	(63,910)	-
Balance - September 30, 2022	5,960,382	252,109	6,183,195	705,967	43,694	483,530	-	13,628,877
Accumulated depreciation								
Balance - December 31, 2020	1,170,263	190,182	95,431	31,846	8,695	-	-	1,496,417
Depreciation	531,853	27,977	152,546	21,000	5,797			739,173
Balance - December 31, 2021	1,702,116	218,159	247,977	52,846	14,492	-	-	2,235,590
Depreciation	1,202,512	12,209	156,001	34,349	4,268			1,409,339
Disposals		(1,678)						(1,678)
Balance - September 30, 2022	2,904,628	228,690	403,978	87,195	18,760	-	-	3,643,251
Net carrying value								
As at December 31, 2021	\$ 1,580,533	\$ 25,690	\$ 1,277,402	\$ 157,151	\$ 27,702	\$ 2,736,692	\$ 63,910	\$ 5,869,080
As at September 30, 2022	3,055,754	23,419	5,779,217	618,772	24,934	483,530	-	9,985,626

(i) As at September 30, 2022 and December 31, 2021, industrial equipment that was being constructed was transferred into the appropriate asset categories.

From the original amount of \$4,657,816 (\$1,176,665 as at December 31, 2021) an amount of \$4,657,816 (\$1,141,477 as at December 31, 2021) was transferred to industrial equipment and nil (\$35,188 as at December 31, 2021) into leasehold improvement. As at September 30, 2022, miners and other components that were being constructed were transferred from the original amount of \$63,910 into leasehold improvement \$55,474 and \$8,436 into miners.

8 INTANGIBLE ASSETS

	Software	Total
	\$	\$
Cost		
Balance - December 31, 2020	-	-
Additions	77,586	77,586
Balance - December 31, 2021	77,586	77,586
Additions	159,573	159,573
Balance - September 30, 2022	237,159	237,159
Accumulated depreciation		
Balance - December 31, 2020	-	-
Depreciation	11,993	11,993
Balance - December 31, 2021	11,993	11,993
Depreciation	37,639	37,639
Balance - September 30, 2022	49,632	49,632
Net carrying value		
As at December 31, 2021	\$ 65,593	\$ 65,593
As at September 30, 2022	187,527	187,527

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
Accounts payable (i)	\$ 1,646,412	\$ 1,607,631
Accrued liabilities	378,363	1,344,262
Salaries and vacation payable	62,811	16,442
Government remittances	112,736	-
Total	2,200,322	2,968,335

(i) Including industrial equipment and miners, as at September 30, 2022, for \$679,040 (\$1,482,236 as at December 31, 2021).

10 BORROWINGS

	September 30, 2022	December 31, 2021
Long-term loan, 8% payable in monthly instalments of \$94,009, maturing in July 2025 (i)	\$ 3,861,713	\$ -
Note payable, 3% payable in monthly instalments of \$3,490, maturing in May 2023	27,611	58,022
Emergency Loan for Canadian Business (ii)	30,000	30,000
Credit line (iii)	-	-
Total long-term debt	3,919,324	88,022
Current portion of long-term debt	1,639,632	40,699
Long-term portion of long term debt	2,279,692	47,323

(i) On July 18, 2022, the Company signed a loan agreement to finance the purchase of mining equipment. An initial tranche of CHF\$3,000,000 (CAD\$4,050,000) was allocated. The capital is repayable over a 3-year term and bears interest at 8%.

(ii) On April 16, 2020, the Company received \$40,000 under the Emergency Loan for Canadian Business Program. The interest is for 3 years and is guaranteed by the Canadian government. Up to 25% of the loan (\$10,000) will be forgiven if repaid in full by December 31, 2022. If the Company has not repaid the loan before December 31, 2022, the loan will be automatically renewed until December 31, 2025 at an interest rate of 5%, and the Company will not be able to benefit from the grant of \$10,000.

Since \$10,000 of the government assistance is forgivable if the Company repays \$30,000 by December 31, 2022, the amount was recognized in earnings at the time the government assistance was granted

(iii) The Company has a \$1,575,000 (\$US 1,150,000) revolving line of credit agreement, to support its continuing working capital needs. This line of credit is secured by a security interest on part of the Company's current digital assets. Borrowings under the credit agreement bear interest at a fixed rate of 4.50%. As of September 30, 2022, the credit line was not used.

	September 30, 2022	September 30, 2021
Finance expense		
Interest expense on loans payables	-	452,080
Interest expense on lease liabilities	130,982	53,555
Interest expense on long-term loan	60,754	-
Interest on credit line	17,844	-
Interest on note payable	1,003	1,900
	210,583	507,535

11 EQUITY

Share Capital

Authorized

An unlimited number of common shares, voting, participating and without par value.

Effective September 7, 2021, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for 2.7 pre-consolidation shares. Unless otherwise stated, all share and per share amounts have been restated retrospectively to reflect this share consolidation.

Issued

	Number of common shares	Amount \$
Balance, December 31, 2020	2,500,189	2,843,269
Issuance of shares and warrants from the concurrent private placement	8,639,804	3,474,124
Common shares and options deemed to be issued on reverse takeover	51,524,230	1,002,807
Issuance of shares for finder's fees	1,041,200	520,600
Common shares deemed to be issued following the election to exercise warrants and stock options	3,164,325	2,955,828
Balance, December 31, 2021	66,869,748	10,796,628
Issuance of shares from a private placement	3,912,481	3,286,484
Balance, September 30, 2022	70,782,229	14,083,112

Stock options

The Company maintains a stock option plan (the "Plan") whereby certain officers, directors, employees and consultants may be granted stock options for common shares of the Company. Options are granted at not less than the fair market value of the shares on the day granted, and vest over various terms. Stock-based compensation is recognized over the vesting period. The Board may from time to time, in its discretion, grant to officers, directors, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five years from the date of grant.

The plan also contains certain conditions when a trigger event occurs that would accelerate vesting.

The following table reflects the continuity of stock options outstanding and exercisable for the periods presented below in accordance with the exchange ratio of 10.607 for the Transaction:

		Number of stock options	Weighted average exercise price \$
Balance, December 31, 2021	(i; ii; iii; iv; v)	1,697,951	0.42
Granted		4,945,600	0.64
Expired		(192,612)	0.50
Balance, September 30, 2022		6,450,939	0.58

During the 9 months ended September 30, 2022 and September 30, 2021, the Company recorded an expense of respectively \$1,575,729 and \$11,676. The compensation expense was based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model.

12 GENERAL AND ADMINISTRATION

	September 30, 2022	September 30, 2021
Salaries, benefits and remuneration (Note 13)	1,062,326	610,388
Advertising, promotion, and investor relations	524,464	109,724
Directors and officers insurance	459,293	17,080
Provision for sales taxes receivable	225,711	
Other	250,078	58,555
	<u>2,521,872</u>	<u>795,747</u>

13 RELATED PARTY TRANSACTIONS

The Company entered into consulting agreements with certain non-independent directors and officers. The total compensation that was given to the directors and officers is detailed as follows:
As at September 30, 2022, a balance of \$184,632 (\$7,410 as at September 30, 2021) remains to be paid.

	September 30, 2022	September 30, 2021
	\$	\$
Salaries, benefits and remuneration (Note 12)	478,782	326,269
Stock based-compensation	945,177	
	<u>1,423,959</u>	<u>326,269</u>

14 CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, reserves and borrowings. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2021.

15 FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value

The fair value of the Company's financial instruments, including cash, trades and other receivables, accounts payable and accrued liabilities, approximates their carrying value due to their short-term nature. The fair value of borrowings, except the loan payable, approximates their carrying amounts based on actualized cash flows (Level 2).

Digital assets and loan payables are measured at fair value using the quoted price on Cryptocompare (Level 2).

The conversion option is measured at fair value using the Monte Carlo option pricing model (Level 2).

15 FINANCIAL INSTRUMENTS (Continued)

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

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's exposure to interest rate risk is limited and relates to its ability to earn interest income on cash balances. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and digital assets.

The Company has a planning and budgeting process to help determine the funds required to support the Company's normal spending requirements on an ongoing basis and its expansionary plans

As at September 30, 2022, the contractual maturities of financial liabilities, and other amounts payable including estimated interest payments are as follows:

	Carrying	Contractual	Within 1 year	1 to 2 years	2 to 5 years	5+ years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,200,322	2,200,322	2,200,322			
Note payable on industrial equipment	27,611	27,611	1,317	26,294		
Emergency Loan for Canadian Businesses	30,000	30,000	30,000			
Long term debt	3,861,713	3,861,713	302,552	1,286,578	2,272,583	
Lease commitments	1,483,212	3,562,429	120,657	493,758	1,407,752	1,540,262
	7,602,858	9,682,075	2,654,848	1,806,630	3,680,335	1,540,262

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Company. The Company's functional currency is the Canadian dollar and most purchases are transacted in Canadian dollars. Management currently does not hedge its foreign exchange risk.

The table below indicates the foreign currencies to which the Company has significant exposure in Canadian dollar terms:

	September 30, 2022	September 30, 2021	December 31, 2021
	\$	\$	\$
Cash - \$US	514,913	144,398	218,124
Accounts payable and accrued liabilities - \$US	194,335	31,142	13,174
Long term debt - \$CHF	3,644,063		

Digital assets and risk management

Digital assets are measured using the rate from Google Finance.

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently solely consist of bitcoin and ether.

At September 30, 2022 had the market price of the Company's holdings of digital assets increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to \$148,712 (\$325,413 at December 31, 2021).