



Management's Discussion and Analysis

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

Dated November 3, 2022



Management Discussion and Analysis
For the three and nine months ended September 30, 2022 and 2021

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Introduction

The following management’s discussion and analysis (“MD&A”) concerns the financial situation, operating results and cash flows of SATO Technologies Corp. (formerly Canada Computational Unlimited Corp.) (“SATO” or the “Company”) for the three and nine months ended September 30, 2022, and 2021. The discussion should be read in conjunction with the Company’s unaudited interim consolidated financial statements for the three and nine months ended September 30, 2022 and the audited financial statements for the year ended December 31, 2021. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the *System for Electronic Document Analysis and Retrieval* (SEDAR) and are available online at www.sedar.com.

Forward-Looking Statements

Certain statements in this MD&A are forward-looking statements or contain forward-looking information, which may include, but are not limited to, statements with respect to the future financial or operating performance of SATO and its projects, business strategy, corporate plans, objectives and goals, as well as the market conditions applicable to SATO. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements include, among others: expectations regarding foreign exchange rates; statements relating to the business and future activities of and developments related to SATO; statements relating to the finances of SATO not based on the audited financial statements of SATO; the expected success of business activities; expectations for other economic, business, regulatory and/or competitive factors related to SATO in general, including the price of cryptoassets; the business objectives and milestones of SATO; the amount and principal uses of available funds, including the funds to be used for anticipated investments; and other events or conditions that may occur in the future.

Forward-looking information and statements are based on current expectations, beliefs, assumptions, estimates and forecasts about the Company’s business and the industry and markets in which it operates, as of the date of this MD&A. Although the assumptions made by the Company in providing forward looking information or making forward looking statements are considered reasonable by management at the time, there can be no assurance that such assumptions will prove to be accurate.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of SATO to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “*Risk Factors*” in the Company’s most recent Annual Information Form (the “AIF”), including risks relating to cryptocurrency mining, risks related to SATO’s cryptocurrency Mining Operations; risks related to the price of Bitcoin and other cryptocurrencies; risks related to governmental regulation and enforcement; volatility of the common shares of the Company (the “Common Shares”); cybersecurity risks; risks related to electrical power and internet; and tax risks. Although SATO has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein and in the AIF are made as of the date of the respective document in which they are contained and, other than as required by law, SATO disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.



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Glossary

<p>“ASIC” means an application-specific integrated circuit customized for Mining.</p>
<p>“Bitcoin” or “BTC” is a peer-to-peer payment system and the digital currency of that system, which uses open source cryptography to control the creation and transfer of such digital currency.</p>
<p>“Blockchain” is a growing list of records, called Blocks, that are linked together using cryptography.</p>
<p>“Block Reward” means the award of a cryptocurrency to a miner that successfully adds a Block to the Blockchain.</p>
<p>“Difficulty” is a measure of how difficult it is to mine a Block in terms of computing power and energy spent.</p>
<p>“Digital Asset” means something that is identifiable and discoverable, has or provides value via tokenization, and is created and recorded in a Blockchain.</p>
<p>“Hashrate” is a measure of mining power whereby the expected revenue from mining is directly proportional to a miner’s hashrate normalized by the total hashrate of the network.</p>
<p>“Hosting” means the commercial activity of renting space, for a fee, to host ASIC or cryptocurrency mining equipment to other companies.</p>
<p>“Lightning Network” is a layer two protocol for Bitcoin that is layered on top of the Bitcoin Blockchain to allow cheap and instant payments.</p>
<p>“Mining” refers to the provision of computing capacity (or hashing power) to secure a distributed network by creating, verifying, publishing and propagating blocks in the blockchain in exchange for rewards and fees denominated in the native token of that network (i.e. Bitcoin or other digital assets, as applicable) for each block generated.</p>
<p>“Mining Equipment” means a single computer system that performs the necessary computations for Mining.</p>
<p>“Network difficulty” is a measure of how difficult it is to find a hash below a given target.</p>



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Non-IFRS Performance Measures

This MD&A makes reference to certain measures that are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore not necessarily comparable to similar measures presented by other companies. The Company uses non-IFRS measures including “Adjusted EBITDA” and “Mining Profit” as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from the Management’s perspective. The following tables reconcile non-IFRS measures used by the Company to analyze the operational performance of the Company to their nearest IFRS measures and should be read in conjunction with the unaudited condensed interim consolidated statement of operations and comprehensive income (loss) and unaudited condensed interim consolidated statement of cash flows included in the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, and 2021.

Mining Profit

Mining profit represents gross profit (revenue less cost of revenue), excluding depreciation, revenue from hosting, and site operating costs directly attributable to hosting and other revenue.

The following is a reconciliation of gross profit to the non-IFRS measure of mining profit for the three and nine months ended September 30:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Gross profit	\$ 169,308	\$ 1,047,890	\$ 982,863	\$ 2,260,404
Add (deduct)				
Hosting revenue	(1,876,716)	(685,645)	(4,349,669)	(835,808)
Other revenue	(9,979)	(74,669)	(104,905)	(92,669)
Site operating costs attributable to hosting	1,517,340	513,952	4,234,658	654,141
Depreciation (i)	897,711	34,412	1,558,807	359,732
Mining Profit	697,664	\$ 835,940	2,321,754	\$ 2,345,800

(i) Portion related to hosting is for the three and nine months period ended September 30, 2022, respectively \$78,803 and \$142,763.



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Adjusted EBITDA

Adjusted EBITDA represents net loss excluding finance income, finance expense, income taxes, depreciation and amortization, and adjusted for non-cash and one-time non-recurring transactions. The Company uses it to assess profitability.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net loss	\$(1,313,426)	\$(1,004,354)	\$(6,405,441)	\$(1,162,035)
<i>Add (deduct)</i>				
Finance expense	120,488	186,207	210,583	524,725
Future Income taxes	-	321,755	52,850	321,755
Depreciation	907,283	34,412	1,568,382	359,732
EBITDA	(285,655)	(461,980)	(4,573,626)	44,177
Share-based payments	208,659	5,259	1,575,729	11,676
Loss (gain) on use of digital assets	(22,521)	(242,969)	128,056	(281,376)
Revaluation of digital assets	(49,590)	-	1,992,946	-
Listing costs expended	-	1,048,725	-	1,048,725
Listing expenses	-	372,896	-	673,843
Finder's fees	-	520,600	-	520,600
Financing fees	99,953	-	99,953	-
Provision for sales taxes receivable	94,892	-	225,711	-
Unrealized foreign exchange loss	217,650	-	217,650	-
Gain on loans payable	-	(545,216)	-	(635,597)
Adjusted EBITDA	\$ 263,388	\$ 697,315	\$ (333,581)	\$ 1,382,048



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Company

SATO Technologies Corp. (Formerly Canada Computational Unlimited Corp. and Capricorn Business Acquisitions Inc.) was incorporated on May 7, 2008 under the *Business Corporations Act* (Ontario). On September 8, 2021, the Company announced the completion of its “Qualifying Transaction”, as defined under Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the “Exchange”). The Qualifying Transaction was completed through a reverse takeover of Canada Computational Unlimited Inc. (“CCU”). Upon completion of the Qualifying Transaction, the business of CCU Inc. became the business of the Company as a result of CCU Inc. becoming a wholly-owned subsidiary of the Company.

CCU was incorporated under the *Business Corporations Act* (Québec) on November 16, 2017, at block number 494673

The Company’s head office is located at 66 Wellington Street West, Suite 5300, Toronto, Ontario, M5K 1E6, Canada and the Company maintains a place of business located at 289 Dugas, Joliette, Québec J6E 4H1, Canada (“Center One”).

SATO was co-founded by technology entrepreneurs Romain Nouzareth and Mathieu Nouzareth in 2017. Since its creation, SATO has operated a high-density computation center built for high-grade cryptocurrency mining, AI data processing and fintech infrastructure, located in the city of Joliette in the Province of Québec, with a mandate of social responsibility and environmental care by using sustainable energy. In 2018, SATO contracted with Hydro-Joliette to purchase up to 20MW of hydro-electrical power to be used for crypto mining.

As of September 30, 2022, close to 20 MW were being used at SATO’s Center One to produce the equivalent of around 540 PHs of Bitcoin (BTC) mining power (hashrate). SATO is led and managed by technology entrepreneurs, electricity and ventilation experts, a strong finance team, and network specialists. Since its inception, SATO has pursued a vision of environmental stewardship and increased performance throughout the cryptocurrency mining process. The availability of energy from renewable sources in the province of Québec has made this endeavor feasible and a great base for future growth.

SATO is currently on track to reach its main objectives and goals, which are to:

- Secure and validate various blockchains transactions and mint Digital Assets
- Expand globally to increase mining power and transaction revenues using renewable or sustainable energy
- Develop applications to promote the use of Bitcoin, the Lightning Network, and blockchain technologies
- Increase the Company’s profile within the industry and with the investment community through strategic participation at industry events
- Strategically mine and acquire a significant percentage of the remaining 1.8 million bitcoins to be mined by 2140

SATO generates revenue from mining, from fees obtained validating the blockchain, and from hosting other miners.

SATO powers its high-capacity computation center using close to 20 MW of renewable hydro energy in Québec, Canada. These facilities support high-grade crypto-mining, AI data processing, and fintech infrastructure.

SATO opened Center Two on August 24th, 2022, with 0.5MW available for crypto mining with Hydro Quebec and 1.5 MW for PoS mining/HPC/Nodes hosting. SATO is currently ramping up the mining capacity and hope to be able to extend the power capacity in the end of 2022 or in 2023 depending on power availability in Quebec for Crypto Mining.



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As a forward-looking company, SATO has ambitious plans to secure an additional 100 to 500 MW of sustainable energy within the next few years.

Cryptocurrency Trends

Following highs in November 2021, there has been a correction in cryptocurrency prices, generally, continuing in early and mid-2022. The falling cryptocurrency markets along with the volatility in the stock market overall have put downward pressure on our stock price, along with our peers. We continue to believe in the future of the cryptocurrency markets and are focused on the long-term growth of the Company. During these volatile times, the Company will focus on maintaining a strong cash position and growing its asset base. The Company had also encountered some electrical curtailment and additional issues for 7 days at the request of Hydro Joliette for load-balancing during the winter months. Nonetheless, mining economics are still relatively healthy on a historical basis (comparing the last 3 years) and considering the electrical cost to produce 1 BTC that is around USD\$11,989 in Q3. SATO has low operating expenses, and a focused team enabling it to manage through a crypto winter, as it has done in the past, by taking advantage of lower costs.

As production and delivery delays are solved and mining equipment is delivered and put into production, we expect that Difficulty will rise significantly. If the Bitcoin price rises in step with the increase in Difficulty, Bitcoin mining market conditions would be preserved, otherwise the rise in Difficulty and decrease in price will negatively impact Bitcoin mining market conditions.

National economies generally are experiencing a period of high inflation, prompting central banks to raise key interest rates and take other measures to control inflation. Aggressive central bank policy removes liquidity from the market, which causes the most liquid assets like cryptocurrencies and stocks to be sold off. If central banks continue with aggressive rate hikes, it is possible that Bitcoin could experience a downturn, which could negatively impact Bitcoin mining market conditions.

Center One

The Company's main operating facility, Center One, comprises 25,000 sq. ft. within a 50,000 sq. ft. factory in the city of Joliette, Québec. The Company constructed the center with performance in mind, including air filtration, negative pressure, and optimized voltage to maximize the use of the energy without depletion, and with heat recycling to further the environmentally friendly approach embraced by the Company. The lease period runs to June 30, 2026. The Company has a power contract for 20MW with Hydro Joliette to supply the facility, and is in active discussions with Hydro-Joliette to extend the contract beyond the expiry of the term in 2023. **Center One now houses around 5,600 Bitcoin miners running near 0.6 EHs of mining power, utilizing 20,000 kW of \cong 100% renewable energy.**

Custody of assets

A custodial agreement was entered into with Fireblocks Inc. ("Fireblocks") to provide wallet and vault services to SATO. Fireblocks is independent of SATO.

Fireblocks is a leading enterprise-grade platform delivering a secure infrastructure for moving, storing, and issuing digital assets. Fireblocks enables banks, fintechs, exchanges, liquidity providers, OTCs and hedge funds to securely manage digital assets across a wide range of products and services. The technology consists of the Fireblocks Network and MPC-based Wallet Infrastructure. Fireblocks serves over 200 financial institutions and has secured over \$400 billion in digital assets. Fireblocks has a unique insurance policy that covers assets in storage and transit, and offers 24/7 global support.



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SATO utilizes the Fireblocks platform to maintain custody, to transfer, and to secure a material portion of its digital assets. Fireblocks, with locations in New York and Tel Aviv, utilizes a secure hot vault and secure transfer environment to help establish connections between the Partnership's wallets, exchanges, counterparties, and networks. Fireblocks utilizes multi-party computation ("MPC") protection layers to distribute private key secrets across multiple locations to ensure there is no single point of failure associated with the private keys. The use of MPC ensures private keys are never concentrated to a single device at any point in time. Fireblocks is SOC 2 Type II certified and undergoes a SOC 2 review on an annual basis. SATO reviews the Fireblocks SOC 2 report to ensure they maintain a secure technology infrastructure and that their systems are designed and operating effectively. Fireblocks maintains an insurance policy which has coverage for technology, cyber, and professional liability and is rated "A" by A.M. Best based on the strength of the policy and has had no known security breaches or incidents reported to date.

A second custodial agreement was entered into with Sygnum Bank AG to provide wallet and vault services to SATO. Sygnum is a leading bank with a secure infrastructure for moving, storing, and issuing digital assets. It utilizes six security levels including a transaction signature process audited by PwC (ISAE 3000/ ISAE 3402 which is the equivalent of SOC 1) and HSMs fully compliant (FIPS-140.2 Level 3) and is compliant with the highest security standards.

Sygnum is independent of SATO.

Highlights of the three and nine months ended September 30, 2022:

Financial Highlights

Statement of income - highlights

- Total revenue grew 51% and 59% for the three and nine months ended September 30, 2022, compared to the same periods in 2021
- Revenue from hosting grew 174% and 420% for the three and nine months ended September 30, 2022, compared to the same periods in 2021
- Gross margin of 39% and 39% for the three and nine months ended September 30, 2022, when excluding depreciation

Statement of financial position - highlights

- 57 BTC and 18 ETH were mined in the nine months ended September 30, 2022
- Working capital decreased to \$(2,180,133) at September 30, 2022, from \$1,568,785 at December 31, 2021
- Digital assets held at September 30, 2022 was \$1,487,116 (51 BTC) compared to \$3,254,131 (22 BTC) at December 31, 2021

Financing

On January 20, 2022, the Company closed a non-brokered private placement and issued 3,912,481 Common Shares at a price of \$0.84 per share for gross proceeds of approximately \$3,286,484.

On July 15, 2022, the Company announced the signing of a loan agreement through its wholly-owned subsidiary, CCU, with Sygnum Bank AG ("Sygnum") which allowed the Company to finance an initial purchase of up to CHF3,000,000 (CAD\$4,000,000 equivalent) worth of miners or equivalent. Highlights of the agreement include (i) Acquisition of mining equipment already on site (ii) Increase of self-mining (iii) 8% interest rate per annum (iv) Repayable over 3-year term.



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U.S Listing

The Company received approval for listing its common shares on the OTCQB Market (the "OTCQB") in the United States under the symbol "CCPUF".

Other Highlights

On July 13, 2022, SATO announced the signing of an agreement with Foundry Digital LLC ("Foundry") for a transaction that would make it possible for SATO to host 2,800 additional new generation miners, received by the end of July, resulting in estimated annualized hosting revenues of around USD 9,500,000.

On September 13, 2022, the Company announced that Center One has reached full capacity of 20 MW, and that its mining power is increasing with the addition of new generation Bitcoin miners nearing 0.6 EHs in total mining power in the facility.

During the first three quarters of 2022, great strides were made towards the finalization of the development of an app that is developed on the lightning network. By management's estimate, the app should be ready to launch by mid 2023.

Results of Operations for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021

Financial highlights

	Three months ended September 30,			Nine months ended September 30,		
	2022	2021	% change	2022	2021	% change
Revenue	2,790,270	1,847,077	51%	6,521,178	4,092,052	59%
Cost of revenue	2,620,962	799,187	228%	5,538,315	1,831,648	202%
Gross profit	169,308	1,047,890	-84%	982,863	2,260,404	-57%
Gain (loss) on use of digital assets	22,521	242,969	-91%	(128,056)	281,376	N/A
Revaluation of digital assets	49,590	-	N/A	(1,992,946)	-	N/A
Expenses	1,210,656	726,217	67%	4,710,614	1,888,687	149%
Operating income (loss)	(969,237)	564,642	N/A	(5,848,753)	653,093	N/A
Other charges	344,189	1,247,241	-72%	503,838	1,493,373	-66%
Loss before income taxes	(1,313,426)	(682,599)	92%	(6,352,591)	(840,280)	656%
Deferred income taxes	-	321,755	N/A	52,850	321,755	-84%
Net loss	(1,313,426)	(1,004,354)	31%	(6,405,441)	(1,162,035)	451%
Total comprehensive loss	(1,313,426)	(884,470)	48%	(6,579,832)	(720,393)	813%
Gross mining profit	697,664	835,940	-17%	2,321,754	2,345,800	1%
EBITDA	(285,655)	(461,980)	-38%	(4,573,626)	44,177	N/A
Adjusted EBITDA	263,388	697,315	-62%	(333,581)	1,382,048	N/A



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Revenue

For the three months ended September 30, 2022, SATO mined 32 Bitcoin and 3 Ether, (revenue of \$903,575), compared to 20 Bitcoins and 11 Ether mined in the three months ended September 30, 2021, (revenue of \$1,086,763).

For the nine months ended September 30, 2022, SATO mined 57 Bitcoin and 18 Ether, (revenue of \$2,066,604), compared to 55 Bitcoins and 48 Ether mined in the nine months ended September 30, 2021, (revenue of \$3,163,575).

The increase in Bitcoins mined is the result of acquiring and operating additional mining machines during Q3. Digital asset mining revenue was negatively impacted in the third quarter by the falling price of Bitcoin compared to 2021. The overall decrease in digital asset mining revenue for the three and nine months ended September 30, 2022 was the result of increased network difficulty and load shedding in the winter to reduce the power utilization of the Company's mining operations during the extreme cold winter months to help conserve power and support the grid. Winter conditions in January 2022 were particularly harsh, with -20°C temperatures recorded for at least 15 days. Mandatory curtailment of the Company's energy usage under the agreement with Hydro-Joliette in 2022 increased by 207 hours as compared to 2021. Up to September 30, 2022, SATO experienced a 3.7% load-shedding rate based on the Company's yearly allocated number of hours of electricity, compared to 1.32% in 2021. Under the terms of SATO's contract with Hydro-Joliette, the maximum load-shedding percentage allowed is 4.6%. In addition, in April 2022, Hydro Joliette sustained major issues with their facilities, resulting in shutting down power to Center One for 148 hours. Overall decrease in digital asset mining revenue was also heavily impacted by the falling price of Bitcoin.

SATO earned hosting revenue of \$1,876,716 and \$4,349,669 in the three and nine months ended September 30, 2022, compared to \$685,645 and \$835,808 in the three and nine months ended September 30, 2021. The increase in hosting revenue was the result of adding hosted mining equipment to utilize our energy and infrastructure as it was built out, until such time as the Company has sufficient capital to purchase additional mining equipment to utilize all of the power for self-mining. The Company first started pursuing this strategy in 2021. Hosting has proven to be a good source of revenue, paid in USD, in a volatile market.

Other revenue in the three and nine months ended September 30, 2022 was \$9,979 (2021 - \$74,669) and \$104,905 (2021 - \$92,669). This consisted of management revenue, and shipping revenue from the hosting contracts.

The cost of revenue for the three and nine months ended September 30, 2022 was \$2,620,962 and \$5,538,315 compared to \$799,187 and \$1,831,648 for the three and nine months ended September 30, 2021. These costs directly relate to the costs incurred for Mining Bitcoin and include site operating costs such as electricity, salaries and benefits, and depreciation.



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Cost of revenue

Cost of revenue	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
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	907,286	34,412	1,568,382	359,732
	\$2,620,962	\$799,187	\$5,538,315	\$1,831,648

The increase in site operating costs was related to the increase in consumption of electricity resulting from the increase in mining machines in operation and the increase in installed capacity from 2.5 MW in 2021 to 20 MW in 2022. Depreciation increased for the same reason.

SATO had a gain (loss) on the use of digital assets of \$22,521 and \$(128,056) in the three and nine months ended September 30, 2022, compared to a gain of \$242,969 and \$281,376 in the three and nine months ended September 30, 2021. This gain (loss) is the result of exchanging Bitcoin for cash, debt payments, purchase of property, plant and equipment and for services. SATO also had a gain (loss) on the revaluation of digital assets of \$49,590 and \$(1,992,946) for the three and nine months ended September 30, 2022 (as the price of Bitcoin decreased from USD\$46k on January 1, 2022 to approximately USD\$20k September 30, 2022).

Expenses

Expenses	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Professional fees	\$ 400,772	\$ 37,355	\$ 613,013	\$ 409,523
Share based compensation	208,659	5,259	1,575,729	11,676
Listing expenses	-	372,896	-	673,843
General and administration	601,225	310,707	2,521,872	795,747
	\$1,210,656	\$726,217	\$4,710,614	\$1,888,687

The variation in professional fees is the result of using an in-house legal counsel as well as cuts that were applied in order to sustain our operations in a bear market. Share based compensation represents the value of stock options that have vested during the quarter which is a non-cash expense. In Q1 2022, the Company granted options to directors, officers, and employees for the services that they had rendered prior to December 31, 2021. The increase in general and administration is the result of the growth of operations since going public in September of 2021.



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Additional expenses (consultants, professionals, public company costs, and administrative costs) were required to support the growth of operations. In 2021, the Company also incurred listing expenses related to going public and listing on the TSX Venture Exchange.

General and administrative expenses

General administrative expenses are broken out in the table below:

	September 30, 2022	September 30, 2021
Salaries, benefits and remuneration	\$ 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
	\$ 2,521,872	\$ 795,747

Other charges/income

Other charges/income are broken out in the table below:

	Three months ended September 30,		Nine months ended September 30,	
Other charges (income)	2022	2021	2022	2021
Foreign exchange loss	\$ 6,051	\$ 36,925	\$ 75,605	\$ 32,818
Unrealized foreign exchange loss	217,650		217,650	
Finance expense	120,488	186,207	210,583	524,725
Listing costs expended (i)	-	1,048,725	-	1,048,725
Finder's fees (i)	-	520,600	-	520,600
Loss on loans payable	-	(545,216)	-	(635,597)
Other	-	-	-	2,102
	\$ 344,189	\$1,247,241	\$ 503,838	\$1,493,373



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- (i) *The listing cost expended is the fair value of common shares of the Company retained by the former shareholders of Capricorn. Finder's fees were also a cost related to the listing process.*

The Company had a comprehensive loss of \$1,313,426 and \$6,579,832 for the three and nine months ended September 30, 2022 compared to a comprehensive loss of \$884,470 and \$720,393 for the three and nine months ended September 30, 2021. Comprehensive loss includes adding the revaluation of digital assets to the net loss for the period.

Selected Quarterly Information (in accordance with IFRS)

The following table summarizes SATO's financial information for the last eight quarters:

Financial Results	Q3 2022 \$	Q2 2022 \$	Q1 2022 \$	Q4 2021 \$	Q3 2021 \$	Q2 2021 \$	Q1 2021 \$	Q4 2020 \$
Revenue	2,790,270	2,021,642	1,709,266	2,026,598	1,847,077	1,142,636	1,102,109	458,664
Gross Profit (Loss)	169,308	532,857	280,698	190,399	1,042,631	630,471	704,005	(110,865)
Total Expenses	1,210,656	3,352,050	2,201,644	360,815	720,958	910,187	252,686	174,206
Net Income (Loss)	(1,313,426)	(2,955,450)	(2,111,320)	(512,590)	(1,004,354)	(467,458)	254,733	(329,194)
Basic profit (loss) per share	(0.020)	(0.040)	(0.028)	(0.007)	(0.016)	(0.187)	0.102	(0.132)
Fully-diluted profit (loss) per share	(0.020)	(0.040)	(0.028)	(0.007)	(0.016)	(0.187)	0.091	(0.132)

Revenue generated from the Company's mining operations is the primary contributor to the quarterly variations in revenue and net income or loss, and can vary depending upon the price of Bitcoin which is volatile. Increase in Q2 2021 expenses related to the Company's efforts to list on an exchange, for which the Company incurred additional legal and other professional fees related to the listing. These expenses also flowed into Q3 2021, as the Transaction closed in September 2021. Winter months typically generate fewer mining outputs due to load shedding. The increase in expenses and net loss in Q1 2022 was due to the share-based compensation (non-cash expense) for the stock options granted and vested in the quarter. Q2 & Q3 2022, were negatively affected by the drop in the price of Bitcoin during the quarters.

While the Bitcoin mining industry experiences volatility, it is typically not subject to seasonality. Seasonal fluctuations in electricity supply, however, may impact the Company's operations. All of the Company's operations during the above periods were in Quebec. Changing weather may impact seasonal electricity needs, and periods of extreme cold or extreme hot weather may thus contribute to service interruptions in cryptocurrency mining operations.



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Liquidity and Capital Resources

As at September 30, 2022, SATO had a working capital deficit of \$2,180,133 (December 31, 2021 – a working capital surplus of \$1,568,785).

Net cash used by operating activities for the nine months ended September 30, 2022, was \$1,574,005. Cash used in investing activities amounted to \$5,006,418 related to the purchase of equipment and deposits on electricity supply agreements, as well as the development of intangible assets. Cash provided by financing activities was \$6,630,367, comprising \$3,873,610 from the issuance of long-term debt, \$3,286,484 of proceeds from the private placements and \$956,602 from a credit line, offset by the repayment of the credit line of \$974,446, repayment of notes payable of \$30,001, repayment of long term debt of \$290,301 and lease payments of \$190,168.

As at September 30, 2022, SATO had cash on hand of \$986,313 (December 31, 2021 - \$794,324) and digital assets of \$2,035,385 (December 31, 2021 - \$3,254,131).

SATO’s ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability. There are various risks and uncertainties affecting SATO’s operations including, but not limited to, the viability of the economics of Bitcoin mining, the liquidity of Bitcoin, and SATO’s ability to maintain the security of its digital assets and execute its business plan.

SATO’s strategy to mitigate these risks and uncertainties is to execute a business plan aimed at maintaining security, operational efficiency, revenue growth, and overall mining profitability while managing operating expenses and working capital requirements, including the securing of additional financing as needed through loans/equity investments. However, given the volatility in financial markets, it may be difficult to raise financing when needed. Failure to implement SATO’s business plan could adversely affect its financial condition or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt over SATO’s ability to continue as a going concern.

The Company regularly engages with various counterparties for potential financing options, to assess the availability of financing and to be prepared to take advantage of opportunities to strengthen the Company’s balance sheet, with a view to ensuring the Company has liquidity when required.

Milestone	Target Date	Completion date	Estimated total cost	Actual total cost
Connect 12.5MW of electrical power to the primary grid of Hydro-Joliette’s 25 kV line	December 2022 or earlier	August 2022	\$415,000	\$325,304
Connect the primary power and transform it for use inside our infrastructure	December 2022 or earlier	August 2022	\$1,600,000	\$1,967,249
Install Ventilation system	June 2022 or earlier	Prior to August 2022	\$712,000	\$882,728
Install Network component such as switches, routers and firewalls	June 2022 or earlier	June 2022	\$41,000	\$26,717
Construction work	June 2022 or earlier	Prior to August 2022	\$300,000	\$728,246



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Related Party Transactions

The Company entered into consulting agreements with non-independent directors and officers. The total compensation that was paid to the non-independent directors and officers is detailed as follows:

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

As at September 30, 2022, a balance of \$184,632 (December 31, 2021 - \$380,340) remains to be paid.

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Financial Instruments and Business Risks

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, trade 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, approximate 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).

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.



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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 amount	Contractual cash flows	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. 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.

Digital assets and risk management

Digital assets are measured using the rate from Cryptocompare.

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 to 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, Ethereum and and Ethereum Classic.



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Critical Accounting Estimates and Accounting Policies

The preparation of these financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income from digital assets mining

The Company recognizes income from digital assets mining from the provision of transaction verification services within digital asset networks, commonly termed cryptocurrency mining. As consideration for these services, the Company receives digital assets from each specific network in which it participates (“coins”). Income from digital asset mining is measured based on the fair value of the coins received. The fair value is determined using the spot price of the coin on the date of receipt. The coins are recorded on the statement of financial position, as digital assets, at their fair value less costs to sell and re-measured at each reporting date. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies are included in profit or loss in accordance with the Company’s treatment of its digital assets as a traded commodity.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital assets and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of income from digital assets mining for mining of digital assets. Management has examined various factors surrounding the substance of the Company’s operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital assets received.

Going concern

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

Leases - Incremental borrowing rate

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.



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Income, valued added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the year in which such determination is made.

Useful lives of property, plant and equipment

Depreciation of data miners and equipment are an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs.

Digital asset valuation

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are carried at their fair value determined by the spot rate less costs to sell. The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position.

Capital Management

The Company's capital currently consists of Common Shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

Share Capital

As of the date of this MD&A, the Company has issued, and outstanding share capital comprised of 70,782,229 Common Shares and 6,450,939 stock options, and 3,356,356 warrants and compensation warrants.

Risk Factors

The Company's business is subject to a number of risk factors which are described in the AIF which was filed on SEDAR on April 11, 2022. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Common Shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.