

**BlockQuarry Corp.**  
**(A Nevada Corporation)**

**FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2022 and 2021**

**BlockQuarry Corp.**  
**(A Nevada Corporation)**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of BlockQuarry Corp.

### **Opinion on the Financial Statements**

We have audited the accompanying balance sheets of BlockQuarry Corp. (the Company) as of December 31, 2022 and 2021, and the related statements of operations, stockholders' deficit, and cash flows for each of the two years in period ended December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### **Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit

matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

*Impairment of Cryptocurrency Mining Assets*

As discussed in Note 4 to the financial statements, the Company has cryptocurrency mining assets. At each reporting period, certain assets are required to be assessed annually for impairment based on the facts and circumstances at that time. Auditing management's evaluation of these assets can be a significant judgment given the fact that the Company uses management estimates on future revenues and expenses which are not easily able to be substantiated.

Given these factors and due to significant judgements made by management, the related audit effort in evaluating management's judgments in evaluation of the impairment of the mining assets required a high degree of auditor judgment.

We evaluated and tested the Company's significant judgments that determine the impairment evaluation of the mining assets. The procedures performed included evaluation of the method and assumptions used by the Company, tests of the data used in developing the assumptions and an evaluation of the findings.

To evaluate the appropriateness and accuracy of the assessment by management, we evaluated management's assessment in relationship to the relevant agreements.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2017.

The Woodlands, TX  
October 3, 2023

**BlockQuarry Corp.**  
**BALANCE SHEETS**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 317,627	\$ 542,335
Accounts receivable	274,551	-
Investments	-	250,408
Prepaid expenses	28,533	-
Current assets, discontinued operations	-	58,007
Total current assets	<u>620,711</u>	<u>850,750</u>
Property and equipment, net	3,420,844	8,704,578
Intangible assets	6,973	313,021
Right of use asset, operating lease	-	193,613
Other assets	<u>1,388,158</u>	<u>734,568</u>
Total assets	<u><u>\$ 5,436,686</u></u>	<u><u>\$ 10,796,530</u></u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 885,561	\$ 55,529
Accrued expenses	1,140,750	872,448
Deferred revenues	60,000	852,000
Bridge notes payable	5,195,500	4,700,000
Notes payable, net of discount	89,896	-
Convertible notes payable, net of discount	-	6,739,169
Convertible notes payable in default	7,719,400	259,343
Right of use liability, operating leases current portion	-	17,423
Due to related party	20,902	-
Derivative liability	161,932	2,394,380
Total current liabilities	<u>15,273,941</u>	<u>15,890,292</u>
Right of use liability, operating lease	<u>-</u>	<u>176,190</u>
Total liabilities	<u>15,273,941</u>	<u>16,066,782</u>
Stockholders' deficit:		
Convertible series A preferred stock, \$0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding	-	-
Convertible series B preferred stock, \$0.001 par value, 30,000,000 shares authorized, 12,768,000 and 1,400,000 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	12,768	1,400
Series E preferred stock, \$0.001 par value, 1,000,000 shares authorized, 1,000,000 shares issued and outstanding	1,000	1,000
Common stock, \$0.001 par value, 200,000,000 shares authorized, 78,665,817 and 70,225,816 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	78,666	70,226
Additional paid-in capital	41,003,925	28,838,848
Subscriptions payable, consisting of 1,301,125 shares of common stock and 240,000 shares of Series B Convertible Preferred Stock and 62,175 shares of common stock as of December 31, 2022, and 62,175 shares of common stock and 1,701,141 shares of Series B Convertible Preferred Stock as of December 31, 2021	709,044	2,034,415
Accumulated deficit	<u>(51,642,658)</u>	<u>(36,215,841)</u>
Total stockholders' deficit	<u>(9,837,255)</u>	<u>(5,269,952)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 5,436,686</u></u>	<u><u>\$ 10,796,530</u></u>

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

**BlockQuarry Corp.**  
**STATEMENTS OF OPERATIONS**

**For the  
Years Ended  
December 31,**

	<b>2022</b>	<b>2021</b>
Revenue – services	\$ 5,330,133	\$ -
Revenue – Services, related party	43,466	-
Revenue – cryptocurrency self-mining	770	959,677
Cost of Revenue – service	(10,915,924)	-
Cost of Revenue – cryptocurrency self-mining	-	(1,589,307)
Cost of Revenue – product sales	-	(45,324)
Gross profit (loss)	<u>(5,541,555)</u>	<u>(674,954)</u>
Operating expenses:		
General and administrative	5,922,177	2,147,716
Officer compensation	203,372	322,500
Professional fees	221,324	238,864
Technology development	-	45,284
Impairment of property, plant and equipment	611,281	-
Depreciation	1,726	2,160
(Gain) loss on cryptocurrency	99,852	(2,157)
Total operating expenses	<u>7,059,732</u>	<u>2,754,367</u>
Net operating loss, continuing operations	<u>(12,601,287)</u>	<u>(3,429,321)</u>
Other income (expense):		
Interest expense, net	(2,998,925)	(2,432,014)
Dividend income	1,121	1,845
Gain (loss) on investments	(22,639)	3,686
Settlement loss	(300,370)	(186,700)
Gain (loss) on extinguishment of notes payable	(1,472,959)	293,075
Loss on extinguishment of notes payable and subscriptions	-	(9,709,215)
Change in derivative liabilities	2,160,745	19,094,861
Total other income (expenses)	<u>(2,633,027)</u>	<u>7,065,538</u>
Net income (loss) from continuing operations	(15,234,314)	3,636,217
Net income (loss) from discontinued operations	<u>(192,503)</u>	<u>(89,841)</u>
Net income (loss)	<u>\$ (15,426,817)</u>	<u>\$ 3,546,376</u>
Weighted average number of common shares		
outstanding – basic	72,426,505	63,830,432
outstanding – diluted	72,426,505	64,202,325
Net income (loss) per share – basic, continuing operations	<u>\$ (0.21)</u>	<u>\$ 0.06</u>
Net income (loss) per share – basic, discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net income (loss) per share – diluted, continuing operations	<u>\$ (0.21)</u>	<u>\$ (0.20)</u>
Net income (loss) per share – diluted, discontinued operations	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

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

**BlockQuarry Corp.**  
**STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Series B Preferred Stock		Series E Preferred Stock		Common Stock		Additional Paid-In	Subscriptions	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Payable	Deficit	Deficit
Balance, December 31, 2020	-	\$ -	1,000,000	\$ 1,000	58,210,102	\$ 58,210	\$ 17,343,369	\$ 448,794	\$(39,762,217)	\$(21,910,844)
Issuance of Preferred Stock for cash	1,400,000	1,400	-	-	-	-	148,600	(100,000)	-	50,000
Common stock issued for conversion of debt	-	-	-	-	4,985,000	4,985	55,935	-	-	60,920
Common stock issued for convertible notes settlement	-	-	-	-	7,500,000	7,500	4,165,000	-	-	4,172,500
Issuance of common stock in settlement of subscriptions payable	-	-	-	-	9,820,000	9,820	6,834,980	(34,000)	-	6,810,800
Common stock cancelled, related parties	-	-	-	-	(3,525,000)	(3,525)	3,525	-	-	-
Common stock cancelled	-	-	-	-	(6,964,286)	(6,964)	6,964	-	-	-
Contribution by shareholder	-	-	-	-	-	-	49,975	-	-	49,975
Repayment of subscription payable	-	-	-	-	-	-	-	(52,000)	-	(52,000)
Beneficial conversion feature on convertible debt	-	-	-	-	-	-	56,500	-	-	56,500
Series B Preferred stock to be issued for assets	-	-	-	-	-	-	-	1,771,621	-	1,771,621
Common stock issued for legal settlement	-	-	-	-	200,000	200	174,000	-	-	174,200
Net income	-	-	-	-	-	-	-	-	3,546,376	3,546,376
Balance, December 31, 2021	1,400,000	1,400	1,000,000	1,000	70,225,816	70,226	28,838,848	2,034,415	(36,215,841)	(5,269,952)
Contribution by shareholder	-	-	-	-	-	-	33,832	-	-	33,832
Common stock issued for conversion of debt	-	-	-	-	2,108,334	2,108	833,262	(5,000)	-	830,370
Extinguishment of derivative liability from conversion of debt	-	-	-	-	-	-	227,831	-	-	227,831
Issuance of Preferred Stock for cash	1,480,000	1,480	-	-	-	-	1,478,520	234,000	-	1,714,000
Common stock issued for debt and subscriptions payable settlement	2,750,000	2,750	-	-	1,531,667	1,532	1,974,180	(63,250)	-	1,915,212
Issuance of shares due to default on bridge notes payable	-	-	-	-	3,500,000	3,500	841,500	207,000	-	1,052,000
Series B preferred issued for subscription payable	1,141,141	1,141	-	-	-	-	1,770,480	(1,771,621)	-	-
Stock-based compensation	5,996,859	5,997	-	-	1,300,000	1,300	5,005,472	73,500	-	5,086,269
Net loss	-	-	-	-	-	-	-	-	(15,426,817)	(15,426,817)
Balance, December 31, 2022	12,768,000	\$12,768	1,000,000	\$ 1,000	78,665,817	\$ 78,666	\$41,003,925	\$ 709,044	\$(51,642,658)	\$ (9,837,255)

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

**BlockQuarry Corp.**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

**For the  
Years Ended  
December 31,**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) from continuing operations	\$ (15,234,314)	\$ 3,636,217
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	5,422,453	545,706
Stock-based compensation	5,159,599	-
(Gain) loss from investments	22,639	(3,686)
(Gain) loss on extinguishment of debt	1,472,959	(293,075)
Loss on shares issued to settle subscriptions payable and notes payable	-	9,709,215
Impairment of property, plant and equipment	611,281	-
Impairment of cryptocurrency	29,927	-
(Gain) loss on cryptocurrency transactions	69,925	(2,158)
Amortization of debt discounts	1,509,352	1,530,371
Amortization of Right of use asset	17,423	4,091
Issuance of common shares for default of bridge notes payable	1,052,000	-
Settlement loss	300,370	186,700
Change in derivative liabilities	(2,160,745)	(19,094,861)
Inventory impairment	-	37,024
Change in assets and liabilities:		
Accounts receivable	(275,321)	(959,677)
Prepaid expenses and other current assets	14,267	50,300
Other assets	(1,238,626)	520,064
Accounts payable	820,936	195,457
Right of use liabilities	(17,423)	(4,091)
Accrued expenses	385,612	859,223
Settlement liability	-	(97,000)
Net cash used in operating activities, continuing operations	(2,037,686)	(3,180,180)
Net cash used in operating activities, discontinued operations	(134,496)	(231,906)
Net cash used in operating activities	(2,172,182)	(3,412,086)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(750,000)	(7,473,899)
Purchase of investments	(12,910)	(257,010)
Sale of investments	240,679	10,288
Net cash used in investing activities, continuing operations	(522,231)	(7,720,621)
Net cash used in investing activities, discontinued operations	-	-
Net cash used in investing activities	(522,231)	(7,720,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of related party loan	-	(18,000)
Proceeds from convertible notes payable	-	8,132,500
Repayment of convertible notes payable	-	(1,272,136)
Proceeds from bridge notes payable	1,611,000	4,700,000
Repayment of bridge notes payable	(865,500)	-
Proceeds from notes payable	161,229	-
Repayment of short term notes payable	(184,856)	-
Repayment of subscriptions payable	-	(52,000)
Capital contribution by shareholder	33,832	49,975
Proceeds from preferred stock subscription payable	1,714,000	50,000
Net cash provided by financing activities, continuing operations	2,469,705	11,590,339
Net cash provided by financing activities, discontinued operations	-	-
Net cash provided by financing activities	2,469,705	11,590,339
<b>NET CHANGE IN CASH</b>	(224,708)	457,632
<b>CASH AT BEGINNING OF PERIOD</b>	542,335	84,703
<b>CASH AT END OF PERIOD</b>	<u>\$ 317,627</u>	<u>\$ 542,335</u>

SUPPLEMENTAL INFORMATION:

Interest paid	\$ 73,500	\$ 14,864
Income taxes paid	\$ -	\$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Receipt of cryptocurrency intangible assets from self-mining transactions	\$ 770	\$ 959,677
Use of cryptocurrency intangible assets as payment for services	\$ 276,891	\$ 646,656
Right of use asset and liability	\$ -	\$ 197,704
Expenses paid by officer	\$ 20,902	\$ 9,500
Common shares issued for conversion of debt and accrued interest	\$ 530,000	\$ 60,920
Beneficial conversion feature on convertible notes payable	\$ -	\$ 56,500
Cancellation of common stock	\$ -	\$ 10,489
Debt discounts related to derivative liability at issuance	\$ 82,798	\$ 2,797,647
Equipment acquired in exchange for Series B Preferred stock liability	\$ -	\$ 1,771,621
Common stock issued for legal settlement	\$ -	\$ 174,200
Issuance of preferred stock for stock payable	\$ 1,771,621	\$ -
Financing of prepaid insurance premiums	\$ 42,800	\$ -
Extinguishment of derivative liability from conversion of debt	\$ 227,831	\$ -

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

**BlockQuarry Corp.**  
**Notes to Financial Statements**  
**(Unaudited)**

**Note 1 – Basis of Presentation and Significant Accounting Policies**

Business

International Spirit & Beverage Group, Inc. (“ISBG”) was formed under the laws of the State of Texas on September 12, 2014. In March 2015, ISBG merged with and into FIMA, Inc., a Nevada corporation, with FIMA, Inc. being the surviving entity. FIMA, Inc. then changed its corporate name to International Spirit and Beverage Group, Inc., and remains a Nevada corporation. On June 18, 2019, the Company changed its name to International Spirits & Wellness Holdings, Inc. (“ISWH” or “the Company”). On March 18, 2020 the Company changed its name to ISW Holdings, Inc. (“ISW” or the “Company”). In August 2021, the Company filed to change its name to BlockQuarry Corp., which was approved in March 2022.

The Company currently operates in the cryptocurrency hosting industry, providing hosting services to parties that perform cryptocurrency mining activities at our facilities. The business is focused on capitalizing on the Bitcoin ecosystem and its surrounding associated growth opportunities through proof-of-work mining. Until March of 2022, the Company also offered management services include managing day-to-day billing and vendor activity for a health care business. Those operations are now classified as discontinued operations (See Note 11).

Basis of Presentation

Our financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America (U.S. GAAP) and the rules of the Securities and Exchange Commission (SEC).

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original purchase maturity of three months or less to be cash equivalents.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are primarily used in our revenue recognition, fair value assumptions in accounting for derivative liability, intangible assets and long-lived asset impairments, stock-based compensation, and deferred tax valuations.

Inventories

Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out convention. Inventories consist of raw materials and finished goods as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Raw materials and supplies	\$ -	\$ 34,624
Finished goods	-	2,400
Inventory Allowance	-	(37,024)
Total inventory	<u>\$ -</u>	<u>\$ -</u>

During the year ended December 31, 2021, the Company recorded an allowance for the full \$37,024 value of inventory due to lack of sales.

Investments

Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded

from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes), using the specific identification method, until they are sold. Held-to-maturity securities are carried at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings, using the specific identification method. All investments that are listed on a securities exchange are valued at their last sales price on the primary securities exchange on which such securities are traded on such date.

#### Property and equipment

Property and equipment are valued at cost. Additions are capitalized and maintenance and repairs are charged to expense as incurred. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

#### Intangible assets – cryptocurrency

Cryptocurrencies held are accounted for as an indefinite-lived intangible asset under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, *Intangible – Goodwill and Other*. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. The Company performs its impairment test for each type of cryptocurrency it holds, using cryptocurrency units or divisible fractions of a unit with the same acquisition date and carrying value. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

#### Basic and Diluted Loss Per Share

The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the year ended December 31, 2021, diluted net loss included 371,893 weighted average shares to reflect the conversion of outstanding convertible debt outstanding at December 31, 2021, and excluded the impact of interest expense and losses on convertible debt and the change in fair value of derivative liabilities assuming the instruments converted at the beginning of the period. For the year ended December 31, 2022, there were 6,102,392 shares issuable from convertible debt, common stock warrants to purchase 300,000 shares of common stock, and 38,304,000 shares issuable from Series B Convertible preferred stock for which a variable number of shares may be issued upon conversion, that had an anti-dilutive effect were not included in the calculation of diluted net loss per common share.

#### Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, Revenue From Contracts With Customers. Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods or services. Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Disaggregated revenue data is presented in Note 13.

#### *Performance Obligations*

Revenue is recognized all of the following criteria are satisfied: (i) a contract with an end user exists which has commercial substance; (ii) it is probable the Company will collect the amount charged to the end user; and (iii) the Company has completed its performance obligation whereby the end user has obtained control of the product. A contract with commercial substance exists once the Company receives and accepts a purchase order or once it enters into a contract with an end user. If collectability is not probable, the sale is deferred and not recognized until collection is probable or payment is received. For product sales, control of products typically transfers when title and risk of ownership of the product has transferred to the customer. Payment is received before shipment of the product. Net revenues comprise gross revenues less customer discounts and allowances, actual and expected returns. Shipping charges billed to customers are included in net sales. Various taxes on the sale of products and enrollment packages to customers are collected by the Company as an agent and remitted to the respective taxing authority. These taxes are presented on a net basis and recorded as a liability until remitted to the respective taxing authority.

During 2022, the Company began providing hosting services under its contract with BITMAIN discussed in Note 4. The Company allocates the transaction price for contracts with multiple performance obligations to each separate and distinct performance obligation based on an estimate of the standalone selling price of each distinct service in the contract. The Company's performance obligations are 1) to establish the infrastructure and commence operation of the hosting service, and 2) to host the customer's miners at its location in South Carolina and ensure operation is continuous. The revenue from the Company's completion of its performance obligation for commencement of operations of the hosting center is recognized at a point in time when the site became operational as a development fee. The Company's hosting revenue is based on the agreed upon per kilowatt hour price within the contracts, and revenue from the hosting services performance obligation is earned and recognized by the Company over time as the hosting service is provided to the customer. There is no significant financing component under the contract.

Cryptocurrency revenue during 2021 consisted of revenue recognized from the Company's self-mining activity at its locations. The Company has entered into digital asset mining pools by executing contracts under customary business practices with the mining pool operators to provide computing power to the mining pool. The contracts are terminable at any time by either party and the Company's enforceable right to compensation only begins when the Company provides computing power to the mining pool operator. In exchange for providing computing power, the Company is entitled to a fractional share of the fixed digital assets award the mining pool operator receives, for successfully adding a block to the blockchain. The Company's fractional share is based on the proportion of computing power the Company contributed to the mining pool operator to the total computing power contributed by all mining pool participants in solving the current algorithm. The provision of such computing power is the only performance obligation in the Company's contracts with mining pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception or the time the Company has earned the award from the pools. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the mining pool operator successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions. Revenue is recognized at the fair value based upon the published rates at cryptocurrency exchanges and the mined cryptocurrency is immediately paid to the Company's cryptocurrency wallet.

#### *Contract Costs*

Costs incurred to obtain a customer contract are not material to the Company. The Company elected to apply the practical expedient to not capitalize contract costs to obtain contracts with a duration of one year or less, which are expensed and included within cost of goods and services.

#### *Contract Liabilities*

The Company may at times receive payment by credit card at the time customer places an order. Amounts received for undelivered product are considered a contract liability and are recorded as deferred revenue. Additionally, the Company has received deposits under its cryptocurrency mining and hosting contract discussed in Note 4 related to

services at its mining locations that will begin providing services to the customer in future periods. As of December, 2022 and 2021, the Company had deferred revenue of \$60,000 and \$852,000, respectively, related to unsatisfied performance obligations. These performance obligations are expected to be satisfied during a period of greater than 12 months.

#### Advertising and Promotion

All costs associated with advertising and promoting products are expensed as incurred. These expenses were \$160,191 and \$1,248,294 for the years ended December 31, 2022 and 2021, respectively.

#### Technology and Development

All costs associated with technology and development are expensed as incurred. These expenses were \$0 and \$45,284 for the years ended December 31, 2022 and 2021, respectively.

#### Stock-Based Compensation

Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. During the year ended December 31, 2022 and 2021, the Company's stock-based compensation expense was \$5,159,599 and \$0, respectively, and which included \$5,086,269 related to common stock awards, and \$73,330 related to the common stock warrants to be issued in 2022 that are accounted for as derivative liabilities. See Note 8.

#### Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for significant deferred tax assets when it is more likely than not, that such asset will not be recovered through future operations.

#### Uncertain Tax Positions

In accordance with ASC 740, "Income Taxes" ("ASC 740"), the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions

#### Recent Accounting Pronouncements

In preparing the financial statements, management considered all new pronouncements through the date of the report.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets. In April 2019, the FASB issued clarification to ASU 2016-13 within ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, or ASU 2016-13. The guidance is effective for fiscal years beginning

after December 15, 2022. The Company adopted this standard on January 1, 2023, which had no material impact on the Company's financial statements.

## **Note 2 – Going Concern**

As shown in the accompanying financial statements, the Company has insufficient cash on hand, a working capital deficit of \$14,653,230 and incurred net losses from operations resulting in an accumulated deficit of \$51,642,658 and used \$2,172,182 of cash from operations during the years ended December 31, 2022, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is currently seeking additional sources of capital to fund short term operations. The Company, however, is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful; therefore, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

## **Note 3 – Related Parties**

During the year ended December 31, 2021, 3,525,000 of shares issued to related parties, including 2,275,000 controlled by the Company's President were cancelled for no consideration.

During the years ended December 31, 2022 and 2021, an officer of the Company contributed \$33,832 and \$49,975, respectively, in cash to the Company. This same officer paid \$20,902 and \$9,500 of expenses on behalf of the Company during the years ended December 31, 2022 and 2021, respectively. These advances are non-interest bearing and due on demand. As of December 31, 2022 and 2021, the Company owed the officer \$20,902 and \$0, respectively.

A greater than 5% shareholder of the Company is the owner of BitFive, LLC, the entity with whom the Company has paid for electricity provided to power its self-mining activities, and for the development of its infrastructure to support the Company's future operations under its contract with Bitmain, as disclosed in Note 4. During the year ended December 31, 2021, the Company paid BitFive, LLC a total of \$9,245,521 and paid an additional \$750,000 during the year ended December 31, 2022 for cryptocurrency mining equipment and site development costs. During the year ended December 31, 2022 the Company paid BitFive \$59,015 of costs related to the electricity supply agreement and other hosting costs, included as "Cost of Revenue – Services" in the Company's statement of operations.

The Company has also agreed to pay BitFive LLC \$65,000 per month for management services of the Company's infrastructure beginning in April 2022 to service the BITMAIN Service agreement discussed below. The agreement will automatically renew for one year periods unless terminated by either party 30 days prior to the expiration. During the year ended December 31, 2022, the Company paid a total of \$585,000 to BitFive related to this management agreement.

During the year ended December 31, 2022, the Company recognized revenue from hosting services of \$628,466 for hosting services provided to BitFive, included in *Revenue – Services* on the Company's Statements of Operations. The payments under the management services contract disclosed above are considered to be a reduction of the transaction price in the revenue contract, and as such were netted against the gross revenue. The Company recognized net revenue of \$43,466 with BitFive during the year ended December 31, 2022.

## **Note 4 – Long-Lived Assets and Other Assets**

### ***Property and equipment***

Property and equipment, net consist of the following:

	December 31, 2022	December 31, 2021
Cryptocurrency mining equipment, 3 year useful life	\$ 3,434,240	\$ 4,045,520
Cryptocurrency site development costs, 3 year useful life	5,950,000	5,200,000
Furniture and Equipment, 5 year useful life	17,780	17,780
Total property and equipment	9,402,020	9,263,300
Less accumulated depreciation	(5,981,176)	(558,722)
Total property and equipment, net	<u>\$ 3,420,844</u>	<u>\$ 8,704,578</u>

Depreciation expense was \$5,422,453 and \$545,706 for the years ended December 31, 2022 and 2021, respectively, of which \$2,160 and \$2,160 is included in operations expenses, with the remainder being included in cost of revenue, cryptocurrency.

During the year ended December 31, 2021, the Company paid a total of \$4,045,520 for cryptocurrency mining equipment to pursue its new line of business proving mining and hosting services, primarily from BIT5IVE LLC. The equipment has an estimated useful life of 3 years.

In February 2021, the Company entered into a supply agreement with BIT5IVE LLC, an entity whose CEO holds common shares of the Company as a result of the exercise of a stock option awarded to the CEO by the Company during the year ended December 31, 2020. The Company agreed to pay a fixed monthly payment of \$42,984 under the agreement for the purchase of a minimum electric energy of 1.2 megawatts to supplies its cryptocurrency mining equipment and hosting services. Any energy used by the Company in excess of the minimum amount will be billed at additional rates. The agreement has a one year term, with successive one year periods automatically renewing unless notice is provided by either party 60 days prior to the expiration of the initial term. During the year ended December 31, 2021, the Company paid a total of \$700,760 for energy costs under the agreement and \$171,936 for security deposits.

On July 23, 2021, the Company entered into a development and equipment purchase agreement with Bit5ive GA Holdings, LLC (“Bit5ive”). Bit5ive shall construct and maintain a facility on its land to host mining pods. The Company acquired 20 shipping containers from Bit5ive, containing 280 cryptocurrency miners. Bit5ive would also provide 20 megawatts of electricity to the Company to power the mining equipment. The Company agreed to pay a total of \$4,500,000 in cash with \$2,600,000 due at execution of the agreement and \$1,900,000 to be paid within 30 days of execution of the agreement for the development and equipment purchases, and an additional \$1,500,000 related to the land use. Under the terms of the original agreement the Company would also pay \$1,000 per month in rent per acre of land leased, for a period of five years.

After the execution of the agreement and after the Company paid a total of \$5,200,000 under the agreement, the Company selected a new location in South Carolina to build its larger crypto mining facility, and is no longer pursuing the Georgia location as a site. The payments made to Bit5ive were used to acquire mining pods, mining assets and related infrastructure equipment that is being installed at the South Carolina site. The assets were placed in service in March 2022 to begin providing services under the Bitmain contract described below. The site development costs of \$5,950,000 are being depreciated over a 3 year estimated useful life.

In February 2023, the Company was informed that the lease between Litchain Corp and Gaffney Board of Public Works, and consequently the sublease between the Company and Litchain Corp, were cancelled by the Gaffney Board of Public Works. As a result, the Company determined that as of December 31, 2022, certain of the site development costs related to the Gaffney, South Carolina may not be recovered in the normal course of business. As such, the Company recognized additional depreciation expense of \$2,419,444 to fully depreciate those site development costs.

Additionally, the Company determined that the net book value of certain cryptocurrency mining equipment it held exceed current market values of similar products. Accordingly, the Company recognized an impairment loss of \$611,281 during the year ended December 31, 2022 related to the mining assets.

On April 11, 2022, we entered into a Management Services Agreement with Bit5ive. Pursuant to the Management Agreement, Bit5ive agreed to manage our crypto mining operations in Gaffney, South Carolina, maintain adequate staff to operate the facility and maintain the facility, in consideration for a fee of \$3,250 per POD5 per month, subject to a minimum fee of \$32,500 per month. The current monthly fee is \$65,000 per month under the agreement. We also agreed to reimburse Bit5ive for all costs and expenses associated with the maintenance of the real property and miners. The Management Agreement has a term of three calendar years, and renews thereafter for successive one calendar year terms, unless terminated within 30 days of each renewal date by either party, and subject to certain customary termination rights for breaches of the agreement, bankruptcies and changes of control of the parties. The agreement requires that we maintain certain minimum levels of general liability insurance and includes a non-circumvention and non-solicitation requirement prohibiting us from circumventing Bit5ive or soliciting its employees or contractors for a period of two calendar years after termination of the agreement. The agreement also includes customary confidentiality obligations of the Company and mutual indemnification obligations.

Pursuant to the terms of the Management Agreement, we and Bit5ive mutually agreed to terminate the July 23, 2021, Development and Equipment and Purchase and Sale Agreement. During the year ended December 31, 2022, the Company recognized \$628,466 of revenue from hosting services provided to Bit5ive.

### *Leases*

In connection with the South Carolina location, the Company entered into a sublease agreement with Litchain Corp, where the Company will pay \$3,000 per month for a period of 8 years for space in Gaffney, SC which Litchain Corp leases from the Gaffney Board of Public Works, where the Company is developing its cryptocurrency mining site. If Litchain Corp is required to pay additional rents under its master lease with the Board of Public Works, the Company would be required to pay such amounts. The Company paid a total of \$100,000 in cash deposits for power to the Board of Public Works, and paid the Board of Public works an additional deposit of \$462,632 in bitcoin in December 2021 for the connection of pods to the electricity grid, recognizing a loss of \$41,213 from the use of cryptocurrency for the payment.

In accordance with ASC 842, the Litchain Corp lease was recognized as a right of use asset and liability, with an initial value of \$197,704 for the present value of the minimum lease payments, utilizing an estimated incremental borrowing rate of 10%. As of December 31, 2022, the lease has a remaining period of 93 months. The Company recognized operating lease expense of \$36,000 during the year ended December 31, 2022. The following table summarizes future payments under the operating lease:

2023	36,000
2024	36,000
2025	36,000
2026	36,000
Thereafter	99,000
Total lease payments	\$ 243,000
Amounts representing interest	(66,810)
Impairment	(176,190)
Present value of lease liability	\$ -

As noted above, the Company was informed in February 2023 that the Litchain Corp sublease under which it operates was cancelled by the Gaffney Board of Public Works. As such, the Company derecognized the \$176,190 of right of use asset and right of use liabilities as of December 31, 2022.

As of December 31, 2022 and 2021, the total “Other Assets” on the Company’s balance sheet consisted of the following:

	December 31, 2022	December 31, 2021
Security deposits under Bit5ive agreement, Pennsylvania	\$ -	\$ 171,936
Security deposits to Gaffney Board of Public Works	1,388,158	562,632
Total Other Assets	<u>\$ 1,388,158</u>	<u>\$ 734,568</u>

### ***Bitmain Service Framework Agreement***

On June 21, 2021, the Company entered into a Service Framework Agreement with BITMAIN Technologies Ltd., a Hong Kong company (“BITMAIN Technologies”). The Company will provide hosting, operations and maintenance services related to BITMAIN Technologies’ mining operations at the Company’s locations for 20 megawatts of power. Pursuant to the Service Framework Agreement, BITMAIN Technologies agreed to pay the Company hosting fees equal to the amount of power consumed by hosted services, multiplied by certain per unit hosting fees (\$0.055 per kilowatt hour), subject to certain adjustments and fee waivers during periods that the data center fails to comply with the terms of the agreement and certain pre-agreed maintenance fees (to the extent maintenance services are provided) and pre-agreed operational fees (to the extent operational services are provided). The agreement can be terminated at any time with the mutual consent of the parties, upon the bankruptcy of either party, by either party upon the breach of the agreement by the other party, or by either party in writing for any reason.

In August 2021, the Company and BITMAIN entered into an additional Service Framework Agreement for an additional 180 megawatts of power and related hosting, operations and maintenance services. Pursuant to the Service Framework Agreement, BITMAIN agreed to pay the Company hosting fees equal to the amount of power consumed by hosted services, multiplied by certain per unit hosting fees (\$0.05275 per kilowatt hour), subject to certain adjustments and fee waivers during periods that the data center fails to comply with the terms of the agreement and certain pre-agreed maintenance fees (to the extent maintenance services are provided) and pre-agreed operational fees (to the extent operational services are provided). The agreement can be terminated at any time with the mutual consent of the parties, upon the bankruptcy of either party, by either party upon the breach of the agreement by the other party, or by either party in writing for any reason. The Company received \$792,000 in cash under this agreement in July 2021, and an additional \$792,000 in February 2022 as prepaid hosting fees. The operations under this agreement began at the Company’s South Carolina location in March 2022, and the Company recognized the initial \$792,000 development fee as revenue at that point when the performance obligation was satisfied. The remaining \$792,000 deposit was applied towards the hosting fees earned by the Company during the three months ended June 30, 2022.

On November 11, 2022, and effective on September 1, 2022, the Company and BITMAIN entered into a new Service Framework Agreement, which amended and replaced the June 2021 agreement with BITMAIN, to increase the hosting service fee from \$0.055 per kilowatt hour to \$0.07 per kilowatt hour for a total of 20MW of electricity.

The Company does not have a minimum power supply agreement for sourcing the electricity to service this contract and will pay market rates for the electricity that it receives at its South Carolina location described above.

### ***Intangible assets – cryptocurrency***

Cryptocurrencies held are accounted for as an indefinite-lived intangible asset under ASC 350, *Intangible – Goodwill and Other*. An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually at fiscal year-end, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired, such as a sustained decrease in the value of a cryptocurrency that is not expected to be recovered in the foreseeable future. The Company performs its impairment test for each type of cryptocurrency it holds, using cryptocurrency units or divisible fractions of a unit with the same acquisition date and carrying value. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the cryptocurrency at the time its fair value is being measured. In testing for impairment, the Company has

the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted.

As part of the mining services performed through the Company's pods and mining equipment purchased, the Company earns rewards in bitcoin through a service provider. During the year ended December 31, 2021, the Company earned a total of approximately 18.36 Bitcoin, which had a value in aggregate of \$959,677 based on the prevailing marketing price on the date each coin was earned by the Company. These crypto currency assets are reflected as intangible assets on the Company's balance sheet and were recorded as revenue in accordance with ASC 606.

The following summarizes the activity related to its cryptocurrency intangible assets during the years ended December 31, 2022 and 2021:

<b>Cryptocurrency at December 31, 2020</b>	\$ -
Additions of cryptocurrency	959,677
Payments of cryptocurrency	(646,656)
<b>Cryptocurrency at December 31, 2021</b>	\$ 313,021
Additions of cryptocurrency	770
Impairment of cryptocurrency	(29,927)
Payments of cryptocurrency	(276,891)
<b>Cryptocurrency at December 31, 2022</b>	<u>\$ 6,973</u>

The Company deposited a total of approximately 4.87 Bitcoin in connection with the Gaffney SC location lease, and recognized a loss of \$69,925 on these transactions, representing the difference between the fair value of the services rendered to the Company, and the cost basis of the cryptocurrency transferred to the vendor as payment. As of December 31, 2022, the Company held approximately 0.37 Bitcoins. The Company performed a qualitative and quantitative review of possible impairment of its Bitcoin holdings based on recent price declines in the market for Bitcoin, and recognized an impairment loss of \$29,927 during the three months ended June 30, 2022, which is included in Gain (loss) from cryptocurrency transactions on the Company's statement of operations.

## **Note 5 – Fair Value of Financial Instruments**

Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has certain financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 – Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of December 31, 2022 and 2021, respectively:

Fair Value Measurements at December 31, 2022			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	\$ 317,627	\$ -	\$ -
Total assets	317,627	-	-
<b>Liabilities</b>			
Convertible note payable, net of discounts, including notes in default	-	7,719,400	-
Bridge notes payable	-	5,195,500	-
Due to related party	-	-	-
Derivative liability	-	-	161,932
Total liabilities	-	(12,914,900)	(161,932)
	\$ 317,627	\$ (12,914,900)	\$ (161,932)

  

Fair Value Measurements at December 31, 2021			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	\$ 542,335	\$ -	\$ -
Investments	250,408	-	-
Total assets	792,743	-	-
<b>Liabilities</b>			
Convertible note payable, net of discounts, including notes in default	-	6,998,512	-
Bridge notes payable	-	4,700,000	-
Due to related party	-	-	-
Derivative liability	-	-	2,394,380
Total liabilities	-	(11,698,512)	(2,394,380)
	\$ 792,743	\$ (11,698,512)	\$ (2,394,380)

The fair values of our related party debts are deemed to approximate book value and are considered Level 2 inputs as defined by ASC Topic 820-10-35. See Note 7 for further discussion of the fair value measurements related to derivative liabilities.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the years ended December 31, 2022 and 2021.

## Note 6 – Debt

### *Convertible Notes Payable*

Convertible notes payable consists of the following at December 31, 2022 and 2021, respectively:

	December 31, 2022	December 31, 2021
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On September 20, 2017, we entered into a Convertible Debenture with an individual investor ("First Graham Note"). The Note bears interest at 10%, with a maturity date of September 20, 2019, is convertible at 60% of the closing traded price at time of Notice of Conversion, or \$5, whichever is greater. The interest rate increases to 18% on default. This note is in default.

\$ 2,400 \$ 2,400

On May 22, 2015, we entered into a Convertible Debenture with Ray Ciarello ("First Ciarello Note"). The Note bears interest at 8%, with a maturity date of May 22, 2016, and is convertible at the lesser of a) \$12,750 or b) 50% of the lowest market value over the 25 trading days preceding the conversion notice. The note is currently in default.

2,500 2,500

The Company has several notes that are in default. These notes are convertible at 50% of the lowest per share market value over the fifteen (15) trading days immediately preceding the conversion notice. During the three months ended March 31, 2020, a note payable of \$10,000 and accrued interest of \$3,135 were converted in full to 238,818 shares of common stock in accordance with the terms of the agreement. This note is in default.

- 30,500

The Company has several notes that are in default. These notes are convertible at 50% of the lowest per share market value over the twenty (20) trading days immediately preceding the conversion notice. This note is in default.

- 15,000

The Company has several notes that are in default as, including four separate 2018 notes from Adam Goodkin as follows: note dated March 15, 2018 for \$11,500 maturing March 15, 2020; note dated March 23, 2018 for \$4,500 maturing March 23, 2020; note dated April 2, 2018 for \$4,500 maturing April 2, 2020; note dated April 9, 2018 for \$4,500 maturing April 9, 2020. These notes are convertible at 50% of the lowest traded price over the 10 trading days preceding the conversion notice. During the three months ended September 30, 2020, Adam Goodkin converted \$25,000 of principal and \$4,096 of accrued interest into 317,123 shares of common stock from the 2018 notes, and the Company recognized a loss of \$31,126 on the conversions. This note is in default.

36,000 36,000

The company has several notes that are in default. These notes are convertible at the greater of a) \$127.5 or b) 50% of the lowest bid price over the ten (10) trading days immediately preceding the conversion notice or the closing bid price on the date immediately preceding the notice. This note is in default.

14,500 14,500

The company has several notes that are in default. These notes are convertible at the lesser of a) \$12,750 or b) 50% of the closing bid price on the date immediately preceding the conversion notice. This note is in default.

30,750 30,750

The company has various convertible notes that are in default. These notes are convertible at the lesser of a) \$12,750 or b) 50% of the lowest bid price over the fifteen (15) trading days immediately preceding the conversion notice. This note is in default.

- 59,443

The company has several notes that are in default. These notes are convertible at the lesser of a) \$12,750 or b) 60% of the current bid price at time of notice, but not less than \$1,275 per share or more than \$12,750/sh. This note is in default.

68,250 68,250

During the six months ended June 30, 2021, the Company entered into nine convertible promissory notes with RB Capital Partners, Inc. with an aggregate principal amount of \$7,200,000. The notes bear interest at 5% and mature between February 1, 2022 and June 15, 2022. The notes are convertible beginning 180 days from the date of issuance at a fixed price of \$1.50 per share. In the event of a forward or reverse stock split following the issuance of the note, the conversion price will remain at \$1.50.

6,950,000 7,450,000

On January 25, 2021, we entered into a Convertible Debenture with RB Capital Partners for up to \$150,000 in proceeds. The Note bears interest at 10%, with a maturity date of January 25, 2022, and is convertible with a price fixed at \$0.002, not adjusted for splits.

- 15,000

On April 20, 2021, we entered into a Convertible Debenture with RB Capital Partners for up to \$15,000 in proceeds. The Note bears interest at 10%, with a maturity date of April 20, 2022, and is convertible with a price fixed at \$0.004, not adjusted for splits.

- 15,000

On April 20, 2021, we entered into a Convertible Debenture with RB Capital Partners for up to \$26,500 in proceeds. The Note bears interest at 10%, with a maturity date of April 20, 2022, and is convertible at a price fixed at \$0.005, not adjusted for splits.

15,000 15,000

On August 3, 2021, we entered into a Convertible Debenture with RB Capital Partners for up to \$600,000 in proceeds. The Note bears interest at 5%, with a maturity date of August 3, 2022, and convertible at a price fixed at \$2.00, not adjusted for splits.

600,000 600,000

Debt in default	7,719,400	259,343
Debt not in default	-	8,095,000
Total convertible notes payable	7,719,400	8,354,343
Less: unamortized debt discounts	-	(1,355,831)
Convertible notes payable, net of discounts	<u>\$7,719,400</u>	<u>\$6,988,512</u>

The shares of common stock issuable upon conversion of the Notes listed above will be restricted securities as defined in Rule 144 promulgated under the Securities Act of 1933. The terms of each convertible note placed a “maximum share amount” on the note holder that can be owned as a result of the conversions to common stock by the note holder of 4.99% of the issued and outstanding shares of the Company. The GPL Ventures convertible notes allow for a note holder to own a maximum of 9.99% of the issued and outstanding shares of the Company.

In accordance with ASC 815-15, the Company determined that the variable conversion feature and shares to be issued represented embedded derivative features, and these are shown as derivative liabilities on the balance sheet. The Company calculated the fair value of the compound embedded derivatives associated with the convertible debentures utilizing a probability weighted black-scholes model, and in accordance with ASC 470-20 Debt with Conversion and Other Options, the Company recorded debt discount for the variable conversion features of the convertible debts. The discounts are being amortized to interest expense over the term of the debentures using the effective interest method.

In connection with the assumption transactions with RB Capital Partners noted above, the Company issued a total of 15,320,000 shares of common stock to RB Capital Partners and recognized a loss of \$9,709,215 on the transactions. The Company also recognized a beneficial conversion feature on the new agreements of \$56,500 representing the intrinsic value of the embedded conversion option at the time of the transaction.

On March 12, 2021, the Company and a lender agreed to a settlement of a convertible note payable and accrued interest of \$363,000 in exchange for cash payment of \$225,000. The Company recognized a gain on extinguishment of debt of \$139,813 related to this transaction,

On March 31, 2021, the Company and GPL entered into a settlement agreement, whereby GPL executed a conversion of certain debt into 2,000,000 shares of common stock. The Company paid a total of \$1,000,000 in cash in settlement of all outstanding GPL notes payable, accrued interest and accrued penalties, and issued 2,000,000 shares of common stock to GPL. The Company accounted for this an extinguishment of debt and recognized a gain of \$117,385 as a result of the transaction.

In May 2021, the Company paid \$10,000 to settle in full a convertible note with outstanding principal and accrued interest of \$39,495 and recognized a gain on debt extinguishment of \$29,495.

During the year ended December 31, 2021, the Company agreed to issue 1,000,000 shares in settlement of convertible notes with principal of \$30,800 and related accrued interest. To date, not shares have been issued under this arrangement and the principal remains outstanding as the notes have not been cancelled per the agreement with the lender.

During the year ended December 31, 2021, the Company paid \$40,000 to settle outstanding subscriptions payable, and \$10,000 to settle an outstanding convertible note.

On October 4, 2021, the Company paid a convertible note holder \$16,000 in full settlement of an outstanding convertible note with principal of \$15,000 and accrued interest of approximately \$6,600. On October 4, 2021, the Company paid a convertible note holder \$31,000 in full settlement of several outstanding convertible notes with principal of \$17,136 and accrued interest of approximately \$14,615. The Company recognized a total gain on these settlements of \$6,382.

On May 6, 2022, RB Capital Partners was issued 353,334 shares of common stock related to the conversion in full of the February 1, 2021 convertible note with a principal balance of \$500,000 and accrued interest of \$30,000.

On July 20, 2022, The Company issued 1,531,667 shares of common stock in settlement of \$22,500 of subscriptions payable, \$45,500 of convertible notes and \$19,000 of accrued interest. The common stock had a fair value of \$433,462, and the Company recognized a loss on extinguishment of \$346,721, after \$87,666 of derivative liabilities were settled with the issuance.

In October and November 2022, the Company issued a total of 1,750,000 shares of Series B Convertible Preferred stock in settlement of \$59,443 of convertible debt, \$68,268 of accrued interest and subscriptions payable of \$40,750. The Series B Convertible Preferred stock had a fair value of \$1,050,000, and the Company recognized a loss on extinguishment of \$881,539, after \$77,934 of derivative liabilities were settled with the issuance.

### ***Bridge Notes Payable***

The following table summarizes outstanding bridge notes payable as of December 31, 2022 and 2021:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
On August 3, 2021, the Company entered into a bridge loan with RB Capital Partners for \$2,000,000 in principal bearing interest at 5% and maturing on October 1, 2021. The Note is secured by 1,000,000 shares of common stock of the Company that will be issued in the event of a default. This note is currently in default, and a 3% fee was recorded as accrued interest. The shares were issued in July 2022.	\$ 2,000,000	\$ 2,000,000
On August 16, 2021, the Company entered into a bridge loan with RB Capital Partners for \$200,000 in principal bearing interest at 5% and maturing on October 17, 2021. The Note is secured by 100,000 shares of common stock of the Company that will be issued in the event of a default. This note is currently in default, and a 3% fee was recorded as accrued interest. The shares were issued in July 2022.	200,000	200,000
On August 30, 2021, the Company entered into a bridge loan with RB Capital Partners for \$300,000 in principal bearing interest at 5% and maturing on October 31, 2021. The Note is secured by 150,000 shares of common stock of the Company that will be issued in the event of a default. This note is currently in default, and a 3% fee was recorded as accrued interest. The shares were issued in July 2022.	300,000	300,000
On September 23, 2021, the Company entered into a bridge loan with RB Capital Partners for \$2,200,000 in principal bearing interest at 5% and maturing on November 30, 2021. The Note is secured by 750,000 shares of common stock of the Company that will be issued in the event of a default. This note is currently in default, and a 3% fee was recorded as accrued interest. The shares were issued in July 2022.	2,200,000	2,200,000
On January 6, 2022, the Company entered into an unsecured bridge loan with ARK Capital, Inc. for \$300,000 in principal bearing interest at 5% and maturing on January 6, 2023.	35,500	-

On April 29, 2022, the Company entered into an unsecured bridge loan with ARK Capital, Inc. for \$150,000 in principal bearing interest at 5% and maturing on April 29, 2023.	100,000	-
On May 3, 2022, the Company entered into an unsecured bridge loan with ARK Capital, Inc. for \$50,000 in principal bearing interest at 5% and maturing on May 3, 2023.	50,000	-
On June 1, 2022, the Company entered into an unsecured bridge loan with ARK Capital, Inc. for \$50,000 in principal bearing interest at 5% and maturing on June 1, 2023.	50,000	-
On September 8, 2022, the Company entered into an unsecured bridge loan with RB Capital for \$484,000 with a maturity date of October 9, 2022. The bridge note carries interest of \$16,000 and a late fee of 1% and is secured by 1,000,000 shares of common stock which are owed 10 days after default if not repaid. The Company repaid \$474,000 of principal and \$16,000 of interest during the year ended December 31, 2022. The Company is in default of this agreement. No shares have been issued to date. The Company recognized \$207,000 of expense related to the default shares.	10,000	-
On October 7, 2022, the Company entered into an unsecured bridge loan with RB Capital for \$627,000 with a maturity date of November 7, 2022. The bridge note carries interest of \$23,000 and a late fee of 1% and is secured by 1,500,000 shares of common stock which are owed 10 days after default if not repaid. The Company repaid \$377,000 of principal and \$16,000 of interest during the year ended December 31, 2022. The Company is in default of this agreement, and issued the shares in December 2022.	250,000	-
Total bridge notes payable	<u>\$ 5,195,500</u>	<u>\$ 4,700,000</u>

On July 18, 2022, RB Capital Partners was issued a total of 2,000,000 shares of common stock as payment of the collateral underlying the bridge loans due to the Company being in default of the bridge loans. The Company recognized \$602,000 of interest expense related to these issuances based on the fair value of the shares.

On December 1, 2022, RB Capital Partners was issued a total of 1,500,000 shares of common stock as payment of the collateral underlying the bridge loans due to the Company being in default of the bridge loans. The Company recognized \$243,000 of interest expense related to these issuances based on the fair value of the shares.

On November 28, 2022, the Company entered into a debt settlement agreement with Ark Capital, Inc. Per the agreement, Ark Capital, Inc. agrees to settle the \$500,000 bridge loans including principal and interest. In exchange for the cancellation of debt, the Company agrees to issue a total of 2,000,000 shares of its Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock will be issued in three installments. The first issuance shall be 1,000,000 shares issued at the execution of the agreement. The second issuance shall be 500,000 shares issued within a maximum 120 days execution of the agreement. The third issuance shall be 500,000 shares issued within a maximum 240 days execution of the agreement. As of December 31, 2022, the Company issued 1,000,000 shares of Series B Convertible Preferred Stock and recognized a loss of \$245,000 in connection with the settlement of \$250,000 of principal.

### ***Notes payable***

On July 11, 2022, the Company entered into an unsecured future receipts financing agreement of \$182,375 and received net proceeds of \$115,454, after fees of \$9,546 and original issue discount of \$57,375. The Company will make bi-weekly payments until the agreement is paid in full, and the agreement is personally guaranteed by the Company's President. As of December 31, 2022, the principal balance was \$79,070 and unamortized discount and deferred finance fees was \$25,573.

On July 29, 2022, the Company entered into an unsecured future receipts financing agreement of \$22,650 and received net proceeds of \$14,275, after fees and original issue discount of \$8,375. The Company will make weekly payments until the agreement is paid in full, and the agreement is personally guaranteed by the Company's President. As of December 31, 2022, the principal balance was \$1,235 and unamortized discount and deferred finance fees was \$0.

On August 17, 2022, the Company entered into an unsecured future receipts financing agreement of \$52,500 and received net proceeds of \$31,500, after fees and original issue discount of \$21,000. The Company will make weekly payments until the agreement is paid in full, and the agreement is personally guaranteed by the Company's President. As of December 31, 2022, the principal balance was \$0 and unamortized discount and deferred finance fees was \$0.

In September 2022, the Company entered into a Premium Finance Agreement related to an insurance policy. The policy premiums total \$42,800 for a one year policy period. The Company financed \$42,800 of the policy over a eleven month period. The monthly payments under the agreement are due in eleven installments of \$3,989, at an annual interest rate of 4.99%. As of December 31, 2022, the note payable balance was \$35,164.

The Company recognized interest expense on convertible notes payable and the bridge notes payable for the years ended December 31, 2022 and 2021, respectively, as follows:

	December 31, 2022	December 31, 2021
Interest on debt	\$ 1,277,573	\$ 901,643
Amortization of debt discounts	1,509,352	1,530,371
Total interest expense	<u>\$ 2,786,925</u>	<u>\$ 2,432,014</u>

## Note 7 – Derivative Liabilities

As discussed in Note 6 under Convertible Notes Payable, the Company issued debts that consist of the issuance of convertible notes with variable conversion provisions. The conversion terms of many of the convertible notes are variable based on certain factors, such as the future price of the Company's common stock. The number of shares of common stock to be issued is based on the future price of the Company's common stock and is indeterminate. Due to the fact that the number of shares of common stock issuable could exceed the Company's authorized share limit, the equity environment is tainted and all additional convertible debentures are included in the value of the derivative. Pursuant to ASC 815-15 Embedded Derivatives, the fair values of the variable conversion option were recorded as derivative liabilities on the issuance date.

The fair values of the Company's derivative liabilities were estimated at the issuance date and are revalued at each subsequent reporting date, using a probability weighted black-scholes model, with the Company estimating the probability of the Company's stock price being higher than the price at the reporting date, the probability of the stock price remaining constant, and the probability of it being lower. The gains and losses have been reported within other expense in the statements of operations. The estimates of the fair value of derivative liabilities exclude values for convertible notes that have a fixed conversion price, which included \$15,000 of convertible note principal as of December 31, 2022.

The following is a summary of changes in the fair market value of the derivative liability during the years ended December 31, 2022 and 2021:

	<b>Derivative Liability Total</b>
Balance, December 31, 2020	\$ 18,691,594
Increase due to issuances of convertible notes payable	2,797,647
Change in fair market value of derivative liabilities	(19,094,861)
Balance, December 31, 2021	2,394,380
Increase due to issuances of convertible notes payable	82,798
Increase due issuance of warrants	73,330
Decrease due to conversion and settlement of debt	(227,831)
Change in fair market value of derivative liabilities	(2,160,745)
Balance, December 31, 2022	\$ 161,932

Key inputs and assumptions used to value the convertible debentures outstanding during the years ended December 31, 2022 and 2021:

*Year Ended December 31, 2022*

- Stock price ranging from \$0.23 to \$1.145.
- Expected Term ranging from 0.5 to 4.7 years
- Estimated volatility of 120-256%
- Risk-free rate of 0.43 – 4.76%
- Probability of increase in stock price of 75% from December 31, 2022 of 30%
- Probability of decrease in stock price of 50% from December 31, 2022 of 50%
- Total principal value of \$7,704,400
- Total common shares issuable assuming conversion of notes payable as of December 31, 2022 of 6,102,392 and 300,000 shares issuable related to common stock warrants.

Management notes that the inputs used in the valuation of derivative liabilities are unobservable inputs and are inherently subjective. As of December 31, 2022, if the probability of a decrease in the stock price was 10% higher, the derivative liability fair value would be approximately \$21,000 lower and would be approximately \$3,000 lower if there was a 10% increase in the probability of the Company's stock price remaining equal with the December 31, 2022 value. If a 10% higher stock price was used in the probability assessment, the estimated derivative liability would be approximately \$12,000 higher, and would be approximately \$3,000 lower if a 10% lower price was used in the probability assessment.

*Year Ended December 31, 2021*

- Stock price ranging from \$0.22 to \$3.52.
- Expected Term ranging from 0.5 to 1 year
- Estimated volatility of 158-311%
- Risk-free rate of 0.02-0.39%
- Probability of increase in stock price of 75% from December 31, 2021 of 30%
- Probability of decrease in stock price of 50% from December 31, 2021 of 50%
- Total principal value of \$7,709,343
- Total common shares issuable assuming conversion of notes payable as of December 31, 2021 of 5,338,559

Management notes that the inputs used in the valuation of derivative liabilities are unobservable inputs and are inherently subjective. As of December 31, 2021, if the probability of a decrease in the stock price was 10% higher, the derivative liability fair value would be approximately \$418,000 lower and would be approximately \$233,000 lower if there was a 10% increase in the probability of the Company's stock price remaining equal with the December 31, 2021 value. If a 10% higher stock price was used in the probability assessment, the estimated derivative liability would be approximately \$180,000 higher, and would be approximately \$68,000 lower if a 10% lower price was used in the probability assessment.

## **Note 8 – Changes in Stockholders' Equity (Deficit)**

### Stock Split and Amendment to Articles of Incorporation

On September 6, 2016, the Company amended its Articles of Incorporation to change the Par Value of its Common and Preferred Stock from \$0.00001 to \$0.001 per share, and amend its authorized capital stock to consist of (i) 480 million shares of common stock, \$0.001 par value, and (ii) 20 million shares of preferred stock, \$0.001 par value, designated as Series A and Series E preferred stock.

On October 1, 2019, the Company amended its Articles of Incorporation to increase the number of shares of preferred stock authorized to 50,000,000.

On February 6, 2020, the Company amended its Articles of Incorporation to decrease the number of shares of preferred stock authorized to 20,000,000.

On February 6, 2020, a reverse stock split of 1:5,000 of common stock became effective. All disclosures herein have been restated to present the adjusted effects of the stock split.

On October 23, 2020, the Company amended its Articles of Incorporation to decrease the number of shares of common stock authorized to 60,000,000.

On April 8, 2021, the Company amended its Articles of Incorporation to increase the number of shares of common stock authorized to 200,000,000.

On November 8, 2022, the Company amended its articles of incorporation to increase the authorized common shares to 370,000,000, the total authorized preferred stock to 30,000,000, and to increase the number of designated Series B Convertible Preferred stock to 20,000,000 shares.

### Series B Convertible Preferred Stock

On December 10, 2020, The Company designated 10,000,000 Shares of Series B Convertible Preferred Stock, with a par value of \$0.001 per share. On November 8, 2022, the authorized Series B Convertible Preferred Stock was increased to 20,000,000 shares. Each share of Series B Convertible Preferred Stock is convertible into 3 shares of common stock after being held for one year, and contains a limitation where the holder can convert a maximum of 12.5% of the original Series B issuance shares in any given quarter. In December 31, 2020, the Company received \$100,000 towards a total subscription of \$150,000 for 1,400,000 shares of the Series B Convertible Preferred Stock. The remaining \$50,000 was received in January 2021, and the Series B shares were issued on February 25, 2021.

On July 12, 2021, the Company entered into an asset purchase agreement with Minerset LLC to acquire a total of 400 cryptocurrency mining assets. The Company agreed to issue 1,141,141 shares of Series B Convertible Preferred Stock, convertible into 3,423,423 shares of common stock (based on a \$0.37 per share price) in consideration for the miners. Additionally, through July 12, 2022 (the "Milestone Period"), upon the first occurrence of the Company's common stock closing price reaching \$2.00, \$3.00 and \$4.00 per share, and the Company providing Minerset 10 business days' notice of such, the Company will receive an additional 75 miners (Bitmain Antminer S19-95Ts) upon the Company's common stock reaching each milestone for no additional consideration. As of the date of this prospectus, the Company's common stock has closed above \$2.00 per share and \$3.00 per share after the date of the agreement, and as such, Minerset is required to provide the Company rights to an additional 150 miners (Bitmain Antminer S19-95Ts), which have not been received to date. Minerset agreed to provide us all rights to the original warranties on all miners purchased. All 400 miners were received by December 31, 2021, and the Company recognized a fixed asset addition and a share liability of \$1,771,621 based on the fair value of the underlying common shares on an as converted basis at the agreement date. The Series B shares were issued in June 2022. The Company also issued Minerset an additional 264,589 shares of Series B Convertible Preferred stock for services, with the fair value of \$100,646 recognized as stock-based compensation expense during the three months ended June 30, 2022. During the three year ended December 31, 2022, the Company issued 5,400,000 shares of Series B Convertible Preferred stock for services

to Minerset, with a fair value of \$4,503,400 based on the fair value of the underlying common shares on an as converted basis at the agreement date.

During the year ended December 31, 2022, the Company issued 332,000 shares of Series B Convertible Preferred stock for services to various parties for services, with a fair value of \$145,623 based on the fair value of the underlying common shares on an as converted basis at the agreement date.

On November 28, 2022, the Company entered into a debt settlement agreement with Ark Capital, Inc. Per the agreement, Ark Capital, Inc. agrees to settle the \$500,000 bridge loans including principal and interest. In exchange for the cancellation of debt, the Company agrees to issue a total of 2,000,000 shares of its Series B Convertible Preferred Stock. The Series B Convertible Preferred Stock will be issued in three installments. The first issuance shall be 1,000,000 shares issued at the execution of the agreement. The second issuance shall be 500,000 shares issued within a maximum 120 days execution of the agreement. The third issuance shall be 500,000 shares issued within a maximum 240 days execution of the agreement. As of December 31, 2022, the Company issued 1,000,000 shares of Series B Convertible Preferred Stock and recognized a loss of \$245,000 in connection with the settlement of \$250,000 of principal.

In October and November 2022, the Company issued a total of 1,750,000 shares of Series B Convertible Preferred stock in settlement of \$59,443 of convertible debt, \$68,268 of accrued interest and subscription payable of \$40,750. The Series B Convertible Preferred stock had a fair value of \$1,050,000, and the Company recognized a loss on extinguishment of \$803,605, after \$77,934 of derivative liabilities were settled with the issuance.

During the year ended December 31, 2022, the Company received a total of \$1,480,000 in cash proceeds from the sale of a total of 1,480,000 shares of Series B Convertible Preferred Stock. The Company also received cash of \$234,000 in cash proceeds for the subscription of 240,000 shares of Series B Convertible Preferred Stock not yet issued.

As of December 31, 2022, there were a total of 12,768,000 shares of Series B Convertible Preferred stock outstanding and 240,000 shares not yet issued.

#### Series A & E Preferred Stock

On July 11, 2011, the Company authorized 1,000,000 shares of Series A Convertible Preferred Stock ("Series A"). The Series has a par value of \$0.001 per share, receives no dividends, has no voting rights and is convertible to common stock at an amount of four times the outstanding shares of Series A.

Pursuant to an amendment to the Company's Articles of Incorporation on September 6, 2017, the Company has 20,000,000 authorized shares of Preferred Stock, of which 1,000,000 shares of \$0.001 par value Series E Preferred Stock ("Series E") have been designated and issued. The Series E ranks subordinate and junior to all of the Corporation's common stock, carries no dividends, has no liquidation participation rights and are not redeemable. The collective outstanding shares of Series E Preferred Stock are entitled to twice the number of votes of all outstanding shares of capital stock such that the holders of outstanding shares of Series E shares shall always constitute sixty-six and two thirds ( $66 \frac{2}{3}$ ds) of the voting rights of the Corporation. The holders of shares of Common Stock and Series E Preferred Stock shall vote together and not as separate classes. On June 21, 2018, the amended its Articles of Incorporation with the State of Nevada to reduce the total number of shares of common stock authorized to 200,000,000 and the total number of shares of preferred stock authorized to 20,000,000. On October 1, 2019, the Company amended its Articles of Incorporation to increase the number of shares of preferred stock authorized to 50,000,000.

On March 6, 2015, the Company issued 1,000,000 shares of Series E Preferred Stock to Alonzo Pierce, the Company's President and Chairman of the Board for services provided.

#### Common Stock and Warrants (2022)

During the year ended December 31, 2022, the Company issued 1,300,000 shares of common stock to a consultant for services. The Company recognized stock-based compensation of \$266,500 related to these issuances based on the fair value of the stock at the grant date.

On October 24, 2022, the Company submitted an application to uplist its common stock to the Nasdaq Capital Market

On August 29, 2022, the Company entered into an agreement with a consultant to provide services related to uplisting the Company's common stock exchange. The Company will pay cash of \$5,000 per month, and \$50,000 in cash upon a successful uplisting. The Company will issue the consultant 300,000 shares of common stock in exchange for \$300 cash which has not been received to date. The consultant will be issued additional shares in the event of a reverse stock split to maintain 300,000 shares after the stock split, if the stock-split is undertaken as part of the exchange uplisting event. The Company issued common stock warrants to purchase 300,000 shares of common stock for a period of five years at a price of \$0.26 per share. In the event of a reverse stock split, the warrant terms shall remain unchanged. To date, no services have been received under the agreement and no shares of common stock or warrants have been issued to the consultant. The Company recognized stock-based compensation of \$73,500 related to the shares to be issued, included in subscriptions payable on the Company's balance sheet, and \$73,330 related to the common stock warrants to be issued. Due to the lack of sufficient authorized shares to settle convertible instruments, the warrants are accounted for as a derivative liability.

#### Common Stock (2021)

During the year ended December 31, 2021, 5,489,286 shares issued in fiscal year 2020 including 3,525,000 issued to related parties, were cancelled for no consideration. Additionally, 5,000,000 shares that were issued in FY 2020 pursuant to a stock option exercise were cancelled for no consideration.

During the year ended December 31, 2021, the Company paid \$1,000,000 of cash and issued 2,000,000 shares of common stock to GPL pursuant to the settlement agreement described above. The Company also issued 200,000 shares and paid \$100,000 for settlement of a lawsuit, and recognized a loss of \$186,700 in connection with the settlement.

During the year ended December 31, 2021, the Company issued 5,500,000 shares of common stock to a debt holder related to amendments on outstanding convertible notes that the lender had assumed to have a fixed conversion price. The Company recognized a loss of \$2,898,415 in connection with these issuances.

#### Common Stock Issuances for Debt Conversions (2022)

On May 6, 2022, RB Capital Partners was issued 353,334 shares of common stock related to the conversion in full of the February 1, 2021 convertible note with a principal balance of \$500,000 and accrued interest of \$30,000.

On July 18, 2022, RB Capital Partners was issued a total of 2,000,000 shares of common stock as payment of the collateral underlying the bridge loans due to the Company being in default of the bridge loans. The Company recognized \$602,000 of interest expense related to these issuances based on the fair value of the shares.

On December 1, 2022, RB Capital Partners was issued a total of 1,500,000 shares of common stock as payment of the collateral underlying the bridge loans due to the Company being in default of the bridge loans. The Company recognized \$243,000 of interest expense related to these issuances based on the fair value of the shares.

#### Common Stock Issuances for Debt Conversions (2021)

During the year ended December 31, 2021, the Company issued 4,985,000 shares of common stock pursuant to the conversion of \$11,500 of principal, and \$49,420 of accrued interest and penalties. No gain or loss was recognized on these conversions.

### Common Stock Subscribed (2022)

On July 20, 2022, the Company issued 1,531,667 shares of common stock in settlement of \$22,500 of subscriptions payable, \$45,500 of convertible notes and \$19,000 of accrued interest. The common stock had a fair value of \$433,462, and the Company recognized a loss on extinguishment of \$258,755, after \$87,666 of derivative liabilities were settled with the issuance.

On December 29, 2022, Ark Capital, Inc. was issued a total of 1,755,000 shares of common stock as settlement of a \$5,000 subscription payable Ark Capital acquired from another holder. The Company recognized a loss on the settlement of \$300,370 related to these issuances based on the fair value of the shares at the time of conversion.

As of December 31, 2022, the balance of subscriptions payable for common stock was \$709,044 for 1,301,125 shares of common stock.

During the year ended December 31, 2022, an officer of the Company contributed \$33,832 in cash to the Company.

### Common Stock Subscribed (2021)

Prior to December 31, 2019, the Company received an aggregate of \$366,294 representing subscriptions for a total of 2,509 shares of common stock that have not yet been issued. During the year ended March 31, 2020, \$25,000 of these subscriptions for 416 shares of common stock were reclassified as convertible debt. The Company received \$7,500 in cash for 60,728 shares of common stock that have not yet been issued, leaving subscriptions payable of \$348,794 for 62,821 shares of common stock to be issued as of December 31, 2020.

During the year ended December 31, 2021, the Company repaid \$52,000 to certain investors, related to 228 shares of common stock previously subscribed. Additionally, a note payable holder purchased \$34,000 of the subscriptions payable in a private transaction. The note payable holder then cancelled the notes in exchange for a total of 9,820,000 shares of common stock. The Company recognized a loss of \$6,810,800 on these transactions based on the fair value of the common shares issued to the note holder.

As of December 31, 2021, the balance of subscriptions payable was \$262,794 for 62,175 shares of common stock.

During the year ended December 31, 2021, an officer of the Company contributed \$49,975 in cash to the Company.

### **Note 9 – Income Taxes**

The Company accounts for income taxes under FASB ASC 740-10, which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences.

For the years ended December 31, 2022 and 2021, the Company incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2022, the Company had approximately \$23,267,000 of federal net operating losses. The historical federal net operating loss was lost upon the subsequent merger and dissolution of FIMA, Inc. The net operating loss carry forwards, if not utilized, will begin to expire in 2034.

The components of the company's deferred tax asset are as follows:

	December, 31 2022	December, 31 2021
Deferred tax assets:		
Net operating loss carry forwards	<u>\$ 5,164,748</u>	<u>\$ 2,934,748</u>

Net deferred tax assets before valuation allowance	\$ 5,164,748	\$ 2,934,748
Less: Valuation allowance	(5,164,748)	(2,934,748)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2022 and 2021, respectively.

A reconciliation between the amounts of income tax benefit determined by applying the applicable U.S. and state statutory income tax rate to pre-tax loss is as follows:

	December 31, 2022	December 31, 2021
Federal and state statutory rate	21%	21%
Change in valuation allowance on deferred tax assets	(21%)	(21%)

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no uncertain tax positions.

#### **Note 10 – Commitments and Contingencies**

##### Legal Proceedings

The Company may be subject to legal proceedings and claims arising from contracts or other matters from time to time in the ordinary course of business. Management is not aware of any pending or threatened litigation where the ultimate disposition or resolution could have a material adverse effect on its financial position, results of operations or liquidity.

##### Settlement Agreement

In April of 2017, the Company entered into a settlement agreement with regard to disputed compensation owed to a former employee. Pursuant to the settlement agreement, the Company is to pay a total of \$72,000 over eight monthly payments of \$9,000 commencing on April 28, 2017. The Company incurs late fees of \$500 per month if payments are not made. In August, 2021, the Company agreed to a settlement with the third party, whereby the Company agreed to pay \$100,000 in cash and issued 200,000 shares of stock that had a fair value of \$174,200. The cash was paid, and the Company recognized a loss of \$186,700 on the full settlement of the liability.

On November 11, 2022, the Company and Alonzo Pierce, the Company's Chairman, entered into a settlement and mutual release agreement with a third party convertible note holder, settling a lawsuit brought against the Company by the note holder for alleged failure to pay such convertible promissory note in the amount of \$85,000. We agreed to pay \$50,000 to the plaintiff and issue 1,000,000 shares of common stock and 400,000 shares of Series B Preferred Stock to the plaintiff, and the plaintiff agreed to certain lock-up and leakout terms regarding the sale of such shares. The shares include certain call option rights to the Company. The settlement agreement also included mutual releases of the parties and confidentiality obligations. In January 2023, the Company issued 1,400,000 shares of Series B Preferred Stock related to full settlement of agreement, including \$73,500 of convertible notes payable and accrued interest of \$47,234.

#### **Note 11 – Discontinued Operations – Paradigm Home Health Agreement**

In January 2018, the Company entered into an agreement with Paradigm Home Health ("PHH") whereby the Company would assist PHH in the management of its services (the "PHH Agreement"). Prior to December 31, 2020, the Company share profits of the business equally, and during the three months ended March 31, 2021, the agreement was amended to allow for the Company to receive 70% of net income. The Company does not control the operations of PHH, which controls the license to provide home health services in Texas.

In March 2022, the Company entered into a separation agreement with PHH, whereby the Company mutually agreed to dissolve the relationship. As part of this agreement, the Company agreed to receive \$50,000 in settlement of its outstanding balance owed by PHH related to the agreements. The separation agreement qualifies as a discontinued operations in accordance with U.S GAAP. As a result, the assets and liabilities, operating results and cash flows related to the management services business have been reflected as discontinued operations in the Company's balance sheet, statements of operations, consolidated statements of cash flows.

During the year ended December 31, 2022, the Company recognized income and costs, including profit sharing, of \$189,662 and \$382,165, including a write down of the \$50,000 receivable due to uncollectibility, resulting in a loss from discontinued operations of \$192,503. During the year ended December 31, 2021, the Company recognized income and costs, including profit sharing, of \$1,032,597 and \$1,081,251, including a profit share benefit of \$20,852, resulting in net cost of services for this business of \$48,654. The Company also recognized a loss of \$41,187 during the year ended December 31, 2021 related to the separation agreement to reflect the expected amount to be received from PHH pursuant to the agreement. The Company recognized a total net loss from discontinued operations of \$192,503 and \$89,841 during the years ended December 31, 2022 and 2021, respectively.

At December 31, 2021, the Company has recorded a receivable due from PHH in the amount of \$50,000 for the amount due under the profit sharing agreement included in current assets of discontinued operations and current liabilities of discontinued operations, respectively. The Company wrote down the The current assets of discontinued operations as of December 31, 2022 and December 31, 2021 also includes \$0 and \$8,007, respectively of cash related to the business.

#### **Note 12 – Technology Development**

On June 6, 2018, the Company entered into an agreement with Bengala Technologies, LLC, a blockchain consulting and developing company (the “Blockchain Software Development Agreement”) to co-develop and market a blockchain-based platform to streamline industry related business services and logistics. The development of the platform is in its preliminary stages. During the years ended December 31, 2021, the Company made cash payments in the amount of \$45,284 related to technology development. Bengala Technologies received payment in bitcoin with a cost basis of \$142,811 for services valued at \$186,182 during the year ended December 31, 2021. The Company recognized a gain of \$43,371 in connection with the use of bitcoin for these payments during the year ended December 31, 2021.

#### **Note 13 – Segment Information and Disaggregated Revenue**

The Company operates through its single operating segment of cryptocurrency operations, including self-mining activities in 2021 and hosting services beginning in 2022. The Company formerly operated home health care management services, alcoholic beverage sales, and cannabinoid product sales.

Summarized financial information relating to the Company's lines of business is as follows:

	<b>For the Years Ended December 31,</b>	
	<b>2022</b>	<b>2022</b>
Revenue – Hosting services	\$ 5,166,599	\$ -
Revenue – Development fees	792,000	-
Revenue – Cryptocurrency self-mining	770	959,677
Total Revenue	<u>\$ 5,959,369</u>	<u>\$ 959,677</u>

The Company's hosting service revenue was primarily related to one customer, Bitmain, under the terms of the Service Framework agreement discussed in Note 4, which accounted for 99% of hosting service revenue and all development fees, and Bit5ive represents 1% of hosting service revenue.

#### Note 14 – Investments

The Company maintains a brokerage account where it trades various types of securities. All trading securities are considered level 1 fair value measurements under ASC 820.

The following is a summary of trading investments as of December 31, 2022 and 2021:

<b>December 31, 2022</b>	<b>Amortized Cost</b>	<b>Unrealized Gain (Loss)</b>	<b>Fair Value</b>
<b>Trading Securities</b>			
Stocks	\$ -	\$ -	\$ -
Exchange Traded Funds	-	-	-
Mutual Funds	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>December 31, 2021</b>	<b>Amortized Cost</b>	<b>Unrealized Gain (Loss)</b>	<b>Fair Value</b>
<b>Trading Securities</b>			
Stocks	\$ 129,382	\$ 6,041	\$ 135,423
Exchange Traded Funds	92,215	(2,128)	90,087
Mutual Funds	25,414	(516)	24,898
<b>Total</b>	<b>\$ 247,011</b>	<b>\$ 3,397</b>	<b>\$ 250,408</b>

The Company recognized realized losses of \$22,639 and gains of \$289 during the years ended December 31, 2022 and 2021, respectively, related to its trading securities, which ceased during the current period. The Company has no plans to resume investment activity.

#### Note 15 – Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were available for issuance on October 3, 2023.

Subsequent to December 31, 2022, the Company received cash proceeds of \$320,000 from the sale of 420,000 shares of Series B Convertible Preferred Stock. The Company repaid \$10,000 to one investor and issued 425,000 shares related to these subscriptions. There are 225,000 shares of Series B Convertible Preferred Stock not yet issued.

On January 18, 2023, the Company issued 100,000 shares of common stock for services rendered to the Company.

On February 15, 2023, RB Capital Partners converted \$12,500 of principal on \$15,000 note payable into 2,500,000 shares of common stock. The note payable has a principal balance of \$2,500 remaining following the conversion.

On March 15, 2023, the Company issued 4,500,000 shares of Series B Preferred Stock to RB Capital Partners in connection with the settlement of a total of \$4,000,000 in convertible debt and related accrued interest. The Company and RB Capital Partners also agreed to extend the maturity date of the remaining \$3,550,000 of convertible debt until December 19, 2024.

On April 13, 2023, the Company issued the remaining 1,000,000 shares of Series B Convertible Preferred Stock to Ark Capital in settlement of all of its outstanding bridge loans and accrued interest with Ark Capital.

On April 14, 2023, the Company increased the authorized shares of Series B Convertible Stock to 30,000,000.

On April 12, 2023, the Company and RB Capital Partners amended an April 20, 2021 note with principal of \$250,000 to reduce the conversion price from \$1.50 per share to \$0.01 per share. As a result of this amendment, the Company accounted for the transaction as an extinguishment of debt, and recognized a loss on extinguishment of \$3,507,141. In June 2023, RB Capital converted a total of \$62,400 of accrued interest and \$2,600 of principal on the note into 6,500,000 shares of common stock.

On April 14, 2023, the Company entered into an agreement with Pantheon Resources, Inc. (“Pantheon”) whereby the Company will acquire all of the issued and outstanding shares of Blockchain Energy Services, LLC, (“BES”) a subsidiary of Pantheon. BES is developing a cryptocurrency mining site, with certain infrastructure in place, including a lease for the land that the Company will assume. The land lease has a 5 year term expiring September 2027, and requires annual payments of \$18,000 in the first year, increasing 5% per year thereafter. The Company will also take over the existing power agreement for the site that BES has previously executed. The Company issued 1,400,000 shares of Series B Convertible Preferred Stock with a fair value of \$609,000 based on the common stock equivalents of the preferred stock at the agreement date.

In connection with this agreement, the Company entered into a strategic partnership agreement with Pantheon whereby the Company will fund and develop the infrastructure needed to make the cryptocurrency mining site operational with Pantheon providing operational and engineering expertise. The partnership has an initial term of 12 months and is thereafter cancelable by either party with 90 days notice. The Company will pay 10% of all revenues from the mining site to Pantheon as consideration for the agreement.

In April 2023, the Company issued 2,850,000 shares to Ark Capital with a fair value of \$498,750 that was recognized as interest expense.

On May 18, 2023, the Company terminated the Management Services Agreement with Bit5ive pursuant to its terms for breach of contract.

On May 16, 2023, the Company entered into an unsecured, non-interest bearing bridge loan with ARK Capital, Inc. for \$15,000 in principal maturing on May 16, 2024.

On June 5, 2023, the Company entered into an unsecured bridge loan with RB Capital for \$75,000. The bridge note carries interest of \$3,750. And matured on September 5, 2023.

During the three months ended June 30, 2023, the Company issued the remaining 1,000,000 shares of Series B Convertible Preferred Stock to Ark Capital to settle Bridge notes and accrued interest issued prior to December 31, 2022.