

BlockQuarry Corp.
(Formerly ISW Holdings, Inc.)
(A Nevada Corporation)

UNAUDITED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2022 and 2021

BlockQuarry Corp.
(A Nevada Corporation)

TABLE OF CONTENTS

Balance Sheets as of June 30, 2022 (unaudited) and December 31, 2021	3
Statements of Operations for the six months ended June 30, 2022 and 2021 (unaudited).....	4
Statement of Stockholders' Deficit for the six months ended June 30, 2022 and 2021(unaudited).....	5
Statements of Cash Flows for the six months ended June 30, 2022 and 2021 (unaudited)	6-7
Notes to Financial Statements (unaudited)	8-25

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	\$ 41,985	\$ 542,335
Accounts receivable	785,517	-
Investments	-	250,408
Current assets, discontinued operations	50,000	58,007
Total current assets	<u>877,502</u>	<u>850,750</u>
Property and equipment, net	8,118,353	8,704,578
Intangible assets	14,968	313,021
Right of use asset, operating lease	185,119	193,613
Other assets	<u>1,388,158</u>	<u>734,568</u>
Total assets	<u>\$ 10,584,100</u>	<u>\$ 10,796,530</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 122,011	\$ 55,529
Accrued expenses	1,535,358	872,448
Settlement liability	-	-
Deferred revenues	60,000	852,000
Bridge notes payable	5,200,000	4,700,000
Convertible notes payable, net of discount	586,200	6,739,169
Convertible notes payable in default	7,224,343	259,343
Right of use liability, operating leases current portion	18,312	17,423
Due to related party	4,000	-
Derivative liability	315,501	2,394,380
Current liabilities, discontinued operations	-	-
Total current liabilities	<u>15,065,725</u>	<u>15,890,292</u>
Right of use liability, operating lease	166,807	176,190
Total liabilities	<u>15,232,532</u>	<u>16,066,482</u>
Stockholders' deficit:		
Convertible series A preferred stock, \$0.001 par value, no shares authorized, no shares issued and outstanding	-	-
Convertible series B preferred stock, \$0.001 par value, 10,000,000 shares authorized, 3,336,000 and 1,400,000 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	3,336	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, 70,579,150 and 70,225,816 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	70,579	70,226
Additional paid-in capital	31,864,889	28,838,848
Subscriptions payable, consisting of 62,175 shares of common stock and 380,000 shares of Series B Convertible Preferred Stock and 62,175 shares of common stock as of June 30, 2022, and 62,175 shares of common stock and 1,701,141 shares of Series B Convertible Preferred Stock as of December 31, 2021	642,794	2,034,415
Accumulated deficit	<u>(37,231,030)</u>	<u>(36,215,841)</u>
Total stockholders' deficit	<u>(4,648,432)</u>	<u>(5,269,952)</u>
Total liabilities and stockholders' deficit	<u>\$ 10,584,100</u>	<u>\$ 10,796,530</u>

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

BlockQuarry Corp.
STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue - cryptocurrency	\$ 1,577,518	\$ 19,973	\$ 2,370,288	\$ 19,973
Cost of Revenue - cryptocurrency	(2,253,178)	(270,920)	(2,814,597)	(270,920)
Cost of Revenue - product sales	-	-	-	-
Gross profit (loss)	<u>(675,660)</u>	<u>(250,947)</u>	<u>(444,309)</u>	<u>(250,947)</u>
Operating expenses:				
General and administrative	303,512	349,044	591,527	911,812
Officer compensation	23,148	99,700	41,825	270,200
Professional fees	67,249	27,372	163,103	56,454
Technology development	-	-	-	45,284
Depreciation	430	17,359	862	17,790
Loss on cryptocurrency	29,927	-	99,191	-
Total operating expenses	<u>424,266</u>	<u>493,475</u>	<u>896,508</u>	<u>1,301,540</u>
Net operating loss, continuing operations	<u>(1,099,926)</u>	<u>(744,422)</u>	<u>(1,340,817)</u>	<u>(1,552,487)</u>
Other income (expense):				
Interest expense, net	(425,962)	(177,552)	(1,609,776)	(420,832)
Dividend income	346	-	1,121	-
Loss on investments	(19,818)	-	(22,660)	-
Settlement loss	-	(186,700)	-	(186,700)
Gain (loss) on extinguishment of notes payable	-	286,693	-	286,693
Gain (loss) on extinguishment of notes payable and subscriptions	-	(2,898,415)	-	(9,709,215)
Change in derivative liabilities	1,889,047	20,489,474	2,099,446	17,964,267
Other income (expense)	-	-	-	-
Total other income (expenses)	<u>1,443,613</u>	<u>17,513,500</u>	<u>468,131</u>	<u>7,934,213</u>
Net income (loss) from continuing operations	343,687	16,769,078	(872,686)	6,381,726
Net income (loss) from discontinued operations	<u>(1,718)</u>	<u>7,891</u>	<u>(142,503)</u>	<u>25,167</u>
Net Income (loss)	<u>\$ 341,969</u>	<u>\$16,776,969</u>	<u>\$ (1,015,189)</u>	<u>\$ 6,406,893</u>
Weighted average number of common shares				
outstanding - basic	<u>70,439,370</u>	<u>63,235,871</u>	<u>70,333,183</u>	<u>60,662,971</u>
outstanding - diluted	<u>87,030,576</u>	<u>63,971,603</u>	<u>86,923,209</u>	<u>61,398,703</u>
Net income (loss) per share - basic, continuing operations	<u>\$ 0.01</u>	<u>\$ 0.27</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>
Net income (loss) per share - basic, discontinued operations	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>
Net income (loss) per share - diluted, continuing operations	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>	<u>\$ (0.18)</u>
Net income (loss) per share - diluted, discontinued operations	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>

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

BlockQuarry Corp.
STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Series B		Series E		Common Stock		Additional	Subscriptions	Accumulated	Total
	Preferred Stock		Preferred Stock				Paid-In			
	Share s	Amoun t	Share s	Amou nt	Shares	Amou nt	Capital			
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	-	-	-	-	1,750,000	1,750	42,995	-	-	44,745
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	-	-	-	-	(10,489,286)	(10,489)	10,489	-	-	-
Contribution by shareholder	-	-	-	-	-	-	49,975	-	-	49,975
Repayment of subscription payable	-	-	-	-	-	-	-	(12,000)	-	(12,000)
Net loss	-	-	-	-	-	-	-	-	(10,370,076)	(10,370,076)
Balance, March 31, 2021	1,400,000	1,400	1,000,000	1,000	59,290,816	59,291	24,430,408	302,794	(50,132,293)	(25,337,400)
Beneficial conversion feature on convertible debt	-	-	-	-	-	-	56,500	-	-	56,500
Common stock issued for convertible notes settlement	-	-	-	-	7,500,000	7,500	4,165,000	-	-	4,172,500
Net income	-	-	-	-	-	-	-	-	16,776,969	16,776,969
Balance, June 30, 2021	1,400,000	\$ 1,400	1,000,000	\$ 1,000	66,790,816	\$ 66,791	\$ 28,651,908	\$ 302,794	\$ (33,355,324)	\$ (4,331,431)
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)
Subscription of Preferred Stock for cash	-	-	-	-	-	-	-	660,000	-	660,000
Contribution by shareholder	-	-	-	-	-	-	33,832	-	-	33,832
Net loss	-	-	-	-	-	-	-	-	(1,357,158)	(1,357,158)
Balance, March 31, 2022	1,400,000	1,400	1,000,000	1,000	70,225,816	70,226	28,872,680	2,694,415	(37,572,999)	(5,933,278)
Subscription of Preferred Stock for cash	-	-	-	-	-	-	-	250,000	-	250,000
Extinguishment of derivative liability from conversion of debt	-	-	-	-	-	-	62,231	-	-	62,231
Stock-based compensation	264,859	265	-	-	-	-	100,381	-	-	100,646
Issuance of Series B Preferred stock in settlement of subscriptions payable	1,671,141	1,671	-	-	-	-	2,429,820	(2,301,621)	-	-
Common stock issued for conversion of debt	-	-	-	-	353,334	353	529,647	-	-	530,000
Net income	-	-	-	-	-	-	-	-	341,969	341,969
Balance, June 30, 2022	3,336,000	\$ 3,336	1,000,000	\$ 1,000	70,579,150	\$ 70,579	\$ 31,864,889	\$ 642,794	\$ (37,231,030)	\$ (4,648,432)

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

BlockQuarry Corp.
STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) from continuing operations	\$ (872,686)	\$ 6,381,726
Adjustments to reconcile net Income (loss) to net cash used in operating activities:		
Depreciation	1,336,225	17,790
Stock-based compensation	100,646	-
Loss on shares issued to settle subscriptions payable and notes payable	-	9,709,215
Impairment of cryptocurrency	29,927	-
Loss on cryptocurrency transactions	69,264	-
Gain on extinguishment of debt	-	(286,693)
Gain from investments	22,660	-
Amortization of debt discounts	1,424,829	88,555
Settlement loss	-	186,700
Amortization of Right of use asset	8,494	-
Change in derivative liabilities	(2,099,446)	(17,964,267)
Change in assets and liabilities:		
Accounts receivable	(786,287)	-
Prepaid expenses and other current assets	-	8,981
Other assets	(1,245,960)	(171,936)
Accounts payable	40,484	(86,507)
Right of use liabilities	(8,494)	-
Accrued expenses	692,910	309,200
Settlement liability	-	3,000
Net cash used in operating activities, continuing operations	(1,287,434)	(1,718,727)
Net cash used in operating activities, discontinued operations	(134,496)	(129,024)
Net cash used in operating activities	(1,421,930)	(1,847,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(750,000)	(2,273,919)
Purchase of investments	(12,910)	-
Proceeds from sale of investments	240,658	-
Net cash used in investing activities, continuing operations	(522,252)	(2,273,919)
Net cash used in investing activities, discontinued operations	-	-
Net cash used in investing activities	(522,252)	(2,273,919)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of related party loan	-	(15,693)
Proceeds from convertible notes payable	-	7,532,500
Repayment of convertible notes payable	-	(1,235,000)
Proceeds from bridge notes payable	500,000	-
Proceeds from sale of common stock and subscription payable	-	(12,000)
Capital contribution by shareholder	33,832	49,975
Proceeds from preferred stock subscription payable	910,000	50,000
Proceeds from exercise of stock options	-	-
Net cash provided by financing activities, continuing operations	1,443,832	6,369,782
Net cash provided by financing activities, discontinued operations	-	-
Net cash provided by financing activities	1,443,832	6,369,782
NET CHANGE IN CASH	(500,350)	2,246,661
CASH AT BEGINNING OF PERIOD	542,335	86,154
CASH AT END OF PERIOD	\$ 41,985	\$ 2,332,815

SUPPLEMENTAL INFORMATION:

Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Receipt of cryptocurrency intangible assets from self-mining transactions	<u>\$ 770</u>	<u>\$ -</u>
Use of cryptocurrency intangible assets as payment for services	<u>\$ 298,823</u>	<u>\$ -</u>
Issuance of stock payable	<u>\$ 2,301,621</u>	<u>\$ -</u>
Extinguishment of derivative on conversion of debt	<u>\$ 62,231</u>	<u>\$ -</u>
Common shares issued for conversion of debt and accrued interest	<u>\$ 530,000</u>	<u>\$ 44,745</u>
Debt discounts related to derivative liability at issuance	<u>\$ 82,798</u>	<u>\$ -</u>
Expenses paid by officer	<u>\$ 4,000</u>	<u>\$ 9,500</u>
Beneficial conversion feature on convertible notes payable	<u>\$ -</u>	<u>\$ 56,500</u>

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

BlockQuarry Corp.
Notes to Financial Statements
(Unaudited)

Note 1 – Basis of Presentation and Significant Accounting Policies

Business

BlockQuarry Corp. (“Blockquarry” or the “Company”) was formed under the laws of the State of Texas on September 12, 2014. In March 2015, the Company 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. On March 18, 2020 the Company changed its name to ISW Holdings, Inc. In August 2021, the Company filed to change its name to BlockQuarry Corp., which name change was approved by the Financial Accounting Standards Board (FINRA) in March 2022.

The Company currently operates in the cryptocurrency mining industry and provided management services to a company in the home healthcare industry through March 2022. The cryptocurrency mining and mining equipment segment is focused on capitalizing on the Bitcoin ecosystem and its surrounding associated growth opportunities through proof-of-work mining. Until March of 2022, the 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 10). The Company also previously produced and sold premium liquor beverages and sold cannabinoid products through 2020.

Basis of Presentation

The accompanying unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, the financial statements include all adjustments (consisting of normal recurring accruals) necessary in order to make the condensed financial statements not misleading. Operating results for the six months ended June 30, 2022 are not necessarily indicative of the final results that may be expected for the year ended December 31, 2022. For more complete financial information, these unaudited financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021. Notes to the financial statements which would substantially duplicate the disclosures contained in the annual financial statements for the most recent fiscal period have been omitted.

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.

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 all periods presented, potential dilutive securities, such as the convertible debt 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 11.

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. For service revenue, control transfers to the customer as services are provided, and revenues are recognized once the home health service has been provided.

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.

During 2022, the Company began providing hosting services under its contract with Bitmain discussed in Note 4. The Company's performance obligations under these contracts are to commence operation of the hosting service, for which the Company earned a \$792,000 fee, and to host Bitmain's miners at its location in South Carolina and ensure operation is continuous. The commencement of operations of the hosting center is recognized at a point in time when the site became operational. The Company's hosting revenue is based on the agreed upon per kilowatt hour price within the contracts, and revenue from the hosting services is earned and recognized by the Company over time as the hosting service is provided to Bitmain. There is no significant financing component under the contract.

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 June 30, 2022 and December 31, 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 the next twelve months. The Company recognized \$792,000 of previously deferred revenue related to hosting service performance obligations that were satisfied during the six months ended June 30, 2022.

Advertising and Promotion

All costs associated with advertising and promoting products are expensed as incurred. These expenses were \$137,232 and \$526,475 for the six months ended June 30, 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.

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.

No new accounting pronouncements issued or effective during the six months ended June 30, 2022 have had or are expected to have a significant 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 \$14,188,223 and incurred net losses from operations resulting in an accumulated deficit of \$37,231,030 and used \$1,421,930 of cash from operations during the six months ended June 30, 2022. As of June 30, 2022, the Company was in default of a total of \$7,224,343 of convertible notes payable and \$4,700,000 of bridge notes payable. 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, 2020, the Company issued 2,275,000 shares of common stock to the Company's President, 1,250,000 shares of common stock to a company controlled by the President, and 480,000 shares to an equity holder of Paradigm Home Health (see Note 11 for further information on Paradigm Home Health). The Company recognized stock-based compensation related to these issuances of \$1,741,075 based on the fair value of the stock at the time of issuance. During the three months ended March 31, 2021, 3,525,000 of these shares issued to related parties, including 2,275,000 controlled by the Company's President were cancelled for no consideration.

During the six months ended June 30, 2022 and 2021, an officer of the Company contributed \$33,832 and \$49,975, respectively, in cash to the Company. This same officer paid \$4,000 of expenses on behalf of the Company. These advances are non-interest bearing and due on demand.

A greater than 5% shareholder of the Company is the owner of Bit5ive, 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 Bit5ive, LLC a total of \$9,245,521 and paid an additional \$750,000 during the six months ended June 30, 2022 for cryptocurrency mining equipment and site development costs. During the six months ended June 30, 2022 the Company paid Bit5ive \$59,015 of costs related to the electricity supply agreement and other hosting costs, included as "Cost of Revenue – cryptocurrency" in the Company's statement of operations.

The Company has also agreed to pay Bit5ive 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 three months ended June 30, 2022, the Company paid a total of \$195,000 to Bit5ive under this agreement.

Note 4 – Long-Lived Assets and Other Assets

Property and equipment

Property and equipment, net consist of the following:

	June 30, 2022	December 31, 2021
Cryptocurrency mining equipment, 3 year useful life	\$ 4,045,520	\$ 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	10,013,300	9,263,300
Less accumulated depreciation	(1,894,947)	(558,722)
Total property and equipment, net	<u>\$ 8,118,353</u>	<u>\$ 8,704,578</u>

Depreciation expense was \$833,390 and \$17,359 for the three months ended June 30, 2022 and 2021, respectively, of which \$430 and \$17,359 was included in operations expense, with the remainder in cost of revenue, cryptocurrency. Depreciation expense was \$1,336,225 and \$17,790 for the six months ended June 30, 2022 and 2021, respectively, of which \$862 and \$17,791 is included in operations expenses, with the remainder being included in cost of revenue, cryptocurrency.

In February 2021, the Company entered into a supply agreement with BIT5IVE LLC, an entity whose CEO is a greater than 5% stockholder of the Company. 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 supply 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. In January 2022, the energy hosting agreement between the Company and Bit5ive was cancelled through mutual decision due to the Company relocating its primary mining operations to the South Carolina site. The Company received a refund of \$138,658 related to its security deposits originally paid by the Company in 2021. The Company is released from all obligations under this agreement for energy supply at the former Pennsylvania location.

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. 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 \$5,950,000 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.

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.

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. The Company paid an additional \$625,632 in cash and an additional \$199,632 through Bitcoin for the remaining deposits required, recognizing a loss of \$69,264 from the use of bitcoin.

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 June 30, 2022, the lease has a remaining period of 90 months. The Company recognized operating lease expense of \$9,000 and \$18,000 during the three and six months ended June 30, 2022. The following table summarizes future payments under the operating lease:

2022	18,000
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2023	36,000
2024	36,000
2025	36,000
2026	36,000
Thereafter	99,000
Total lease payments	\$ 261,000
Amounts representing interest	(75,881)
Present value of lease liability	<u>\$ 185,119</u>

As of June 30, 2022 and December 31, 2021, the total “Other Assets” on the Company’s balance sheet consisted of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
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”). The Company will provide hosting, operations and maintenance services related to Bitmain’s mining operations at the Company’s locations for 20 megawatts of power. 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 (\$0.055 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 deposit as revenue at that point. The remaining \$792,000 deposit was applied towards the hosting fees during the three months ended June 30, 2022.

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. 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 six months ended June 30, 2022:

Cryptocurrency at December 31, 2021	\$ 313,021
Additions of cryptocurrency	770
Impairment of cryptocurrency	(29,927)
Payments of cryptocurrency	<u>(268,896)</u>
Cryptocurrency at June 30, 2022	<u>\$ 14,968</u>

The Company deposited a total of approximately 4.87 Bitcoin in connection with the Gaffney SC location lease, and recognized a loss of \$69,264 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 June 30, 2022, the Company held approximately 0.8 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 June 30, 2022 and December 31, 2021, respectively:

	Fair Value Measurements at June 30, 2022		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 41,985	\$ -	\$ -
Investments	-	-	-
Total assets	41,985	-	-
Liabilities			
Convertible note payable, net of discounts, including notes in default	-	7,810,543	-
Bridge notes payable	-	5,200,000	-
Due to related party	-	-	-
Derivative liability	-	-	315,501
Total liabilities	-	(13,010,543)	(315,501)
	\$ 41,985	\$ (13,010,543)	\$ (315,501)

	Fair Value Measurements at December 31, 2021		
	Level 1	Level 2	Level 3
Assets			
Cash	\$ 542,335	\$ -	\$ -
Investments	250,408	-	-
Total assets	792,743	-	-
Liabilities			
Convertible note payable, net of discounts, including notes in default	-	6,998,512	-
Bridge notes payable	-	4,700,000	-
Derivative liability	-	-	2,394,380
Total liabilities	-	(11,689,512)	(2,394,380)
	\$ 792,743	\$ (11,689,512)	\$ (2,394,380)

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 six months ended June 30, 2022.

Note 6 – Convertible Notes Payable and Bridge Notes Payable

Convertible Notes Payable

Convertible notes payable consists of the following at June 30, 2022 and December 31, 2021, respectively:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
On October 27, 2017, we entered into a Convertible Debenture with an individual investor (“Seventh Goodkin Note”). The Note bears interest at 10%, with a maturity date of Oct. 27, 2018, is convertible at \$0.50 per share. This note is in default.	\$ -	\$ -
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	\$ 2,400	\$ 2,400

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.

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 \$ 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 \$ 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 \$ 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. Certain of these notes are in default, though no notice has been received from the lender.

\$	6,950,000	\$	7,450,000
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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. This note is in default, though no notice has been received from the lender.

\$	-	\$	15,000
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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
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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
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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
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Debt in default	7,224,343	259,343
Debt not in default	600,000	8,095,000
Total convertible notes payable	7,824,343	8,354,343
Less: unamortized debt discounts	(13,800)	(1,355,831)
Convertible notes payable, net of discounts	<u>\$ 7,810,543</u>	<u>\$ 6,998,512</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.

Bridge Notes Payable

	June 30, 2022	December 31, 2021
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.	\$ 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.	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.	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.	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.	300,000	-
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
Total bridge notes payable	\$ 5,200,000	\$ 4,700,000

The Company recognized interest expense on convertible notes payable and the bridge notes payable for the three months ended June 30, 2022 and 2021, respectively, as follows:

	June 30, 2022	June 30, 2021
Interest on convertible notes and bridge loans	\$ 67,845	\$ 121,052
Amortization of debt discounts	358,117	56,500
Total interest expense	<u>\$ 425,962</u>	<u>\$ 177,552</u>

The Company recognized interest expense on convertible notes payable and the bridge notes payable for the six months ended June 30, 2022 and 2021, respectively, as follows:

	June 30, 2022	June 30, 2021
Interest on convertible notes and bridge loans	\$ 184,947	\$ 332,277
Amortization of debt discounts	1,424,829	88,555
Total interest expense	<u>\$ 1,609,776</u>	<u>\$ 420,832</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 and warrants are included in the value of the derivative. Pursuant to ASC 815-15 Embedded Derivatives, the fair values of the variable conversion option and warrants and shares to be issued 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 June 30, 2022.

The following is a summary of changes in the fair market value of the derivative liability during the six months ended June 30, 2022:

	<u>Derivative Liability Total</u>
Balance, December 31, 2021	\$ 2,394,380
Increase due to issuances of convertible notes payable	82,798
Decrease due to conversion of debt	(62,231)
Change in fair market value of derivative liabilities	<u>(2,099,446)</u>
Balance, June 30, 2022	<u>\$ 315,501</u>

Key inputs and assumptions used to value the convertible debentures outstanding during the period ended June 30, 2022:

- Stock price ranging from \$0.24 to \$1.145.
- Expected Term ranging from 0.5 to 1 year
- Estimated volatility of 129-157%
- Risk-free rate of 0.43-2.8%
- Probability of increase in stock price of 75% from June 30, 2022 of 30%
- Probability of decrease in stock price of 50% from June 30, 2022 of 50%
- Total principal value of \$7,809,343 as of June 30, 2022
- Total common shares issuable assuming conversion of notes payable as of June 30, 2022 of 6,443,426

Management notes that the inputs used in the valuation of derivative liabilities are unobservable inputs and are inherently subjective. As of June 30, 2022, if the probability of a decrease in the stock price was 10% higher, the derivative liability fair value would be approximately \$57,000 lower, and would be approximately \$38,000 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 \$32,000 higher, and would be approximately \$6,000 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 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.

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. 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. The Company intends to request the 150 miners to be deployed when its self-mining operations resume at a future date, if the sufficient funding to expand capacity for these miners is received. All 400 initial miners were received by December 31, 2021, and the Company recognized a fixed asset addition and a subscription payable 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 months ended March 31, 2022, the Company received a total of \$660,000 in cash proceeds from the sale of a total of 660,000 shares of Series B Convertible Preferred Stock. A total of 530,000 of these shares were issued during the three months ended June 30, 2022.

On June 6, 2022, Company received a total of \$250,000 in cash proceeds from the sale of a total of 250,000 shares of Series B Convertible Preferred Stock. These shares have not yet been issued.

As of June 30, 2022, there were a total of 3,336,000 shares of Series B Convertible Preferred stock outstanding and 380,000 shares not yet issued. These shares are convertible into a total of 10,008,000 and 1,140,000 shares of common stock, respectively.

Series A & E Preferred Stock

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 2/3rds) 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 Issuances for Debt Conversions (2021)

During the three months ended March 31, 2021, the Company issued 1,750,000 shares of common stock pursuant to the conversion of \$44,745 of accrued interest and penalties. No gain or loss was recognized on these conversions.

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 June 30, 2022 and December 31, 2021, the balance of subscriptions payable for common stock 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.

During the three months ended March 31, 2022, an officer of the Company contributed \$33,832 in cash to the Company.

Note 9 – 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.

Note 10 – 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 shared 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.

Effective March 31, 2022, the Company entered into a termination 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 three months ended June 30, 2022, the Company recognized a loss from discontinued operations of \$1,718. During the six months ended June 30, 2022, the Company recognized income and costs, including profit sharing, of \$189,662 and \$332,165, resulting in a loss from discontinued operations of \$142,503. During the three months ended June 30, 2021, the Company recognized income and costs, including profit sharing, of \$341,145 and \$333,254, resulting in income from discontinued operations of \$7,891. During the six months ended June 30, 2021, the Company recognized income and costs, including profit sharing, of \$286,925 and \$269,649, resulting in net revenue for this business of \$25,167.

At June 30, 2022 and 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. The current assets of discontinued operations as of June 30, 2022 and December 31, 2021 also includes \$0 and \$8,007, respectively of cash related to the business.

Note 11 – 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.

Disaggregated revenue data for the Company's revenue streams is as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	2021	2022	2021
	Revenue – hosting services	\$ 1,577,518	\$ -	\$ 2,369,518
Revenue – Cryptocurrency self-mining	-	19,973	770	19,973
Total Revenue	\$ 1,577,518	\$ 19,973	\$ 2,370,288	\$ 19,973

The Company's hosting service revenue was all related to one customer, Bitmain, under the terms of the Service Framework agreement discussed in Note 4.

Note 12 – Investments

The Company maintained a brokerage account where it traded 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 June 30, 2022:

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
Trading Securities			
Stocks	\$ -	\$ -	\$ -
Exchange Traded Funds	-	-	-
Mutual Funds	-	-	-
Total	\$ -	\$ -	\$ -

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

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

The Company recognized realized losses of \$19,818 and \$22,660 during the three and six months ended June 30, 2022, respectively related to its trading securities, which ceased during the current period. The Company has no plans to resume investment activity.

Note 13 – Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were available for issuance on July 29, 2022.

On July 11, 2022, the Company entered into an unsecured future receipts financing agreement and received net proceeds of \$119,954, after fees of \$5,046 and original issue discount of \$57,375. The Company will make weekly payments of \$9,115 until the agreement is paid in full, and the agreement is personally guaranteed by the Company's President.

Subsequent to June 30, 2022, the Company received cash proceeds of \$55,000 for subscription of 55,000 shares of Series B Convertible Preferred Stock. These shares have not yet been issued.

The Company also received \$44,000 in short term, unsecured advances from third parties which are non-interest bearing and due on demand.