



TAAL Distributed Information Technologies Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended 30 September 2021 and 2022
(Stated in Canadian Dollars)

* Unaudited – Prepared by Management



NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.4(3), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by management and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants (CPA) –Canada for a review of condensed interim consolidated financial statements by an entity's auditor.



CONTENTS

4	STATEMENTS OF FINANCIAL POSITION
5	STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
7	STATEMENTS OF CASH FLOWS
9	STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
10	NOTES TO THE FINANCIAL STATEMENTS
10	Components of the Financial Statements
14	Prepaid Expenses and Other Assets
15	Digital Assets
16	Property, Plant, and Equipment
17	Leases
18	Promissory Note Payable
18	Share Capital
21	Related Parties
22	Supplemental Cash Flow Information
22	Subsequent Events



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited – Prepared by Management

	Note	30 September 2022 CAD'000	31 December 2021 CAD'000
ASSETS			
Current assets		16,737	18,721
Cash and cash equivalents		8,122	3,980
Accounts receivable		7	80
Other receivables		1,286	1,013
Digital assets	3	6,958	12,654
Prepaid expenses and other current assets	2	364	994
Non-current assets		58,413	50,005
Investments in associates		249	268
Other investments		253	-
Note receivable		346	320
Property, plant, and equipment, net	4	13,353	14,323
Intangible assets, net		4,462	5,206
Right of use assets	5	1,579	1,616
Deposits on hashing equipment and infrastructure	2	38,171	28,272
Total assets		75,150	68,726
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities		2,593	3,270
Accounts payable and accrued liabilities		2,239	2,933
Lease liabilities	5	354	337
Non-current liabilities		8,050	14,054
Lease liabilities, long term	5	1,204	1,245
Promissory note, long term	6	6,846	12,809
Total Liabilities		10,643	17,324
Shareholders' equity		64,507	51,402
Share capital	7	101,073	91,779
Contributed surplus		13,227	8,225
Accumulated other comprehensive income		775	49
Accumulated deficit		(50,568)	(48,651)
Total liabilities and shareholders' equity		75,150	68,726

See Note 10 for subsequent events

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unaudited – Prepared by management

	Note	Three months ended		Nine months ended	
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
		CAD'000	CAD'000	CAD'000	CAD'000
REVENUES					
Digital asset hashing	3	4,319	12,317	20,286	19,866
Other revenues		34	35	34	109
TOTAL REVENUES		4,353	12,352	20,320	19,975
COST OF REVENUES					
Site operating costs		3,292	3,225	12,560	5,136
Pool operating costs		370	169	997	529
Depreciation and amortization		1,012	971	3,137	2,017
TOTAL COST OF REVENUES		4,674	4,365	16,694	7,682
INCOME BEFORE VALUE ADJUSTMENTS		(321)	7,987	3,626	12,293
Revaluation gain / (loss) on digital assets	3	(56)	3,315	(2,356)	(2,580)
Loss on sale of digital assets	3	(301)	(4,270)	(3,581)	(2,424)
INCOME / (LOSS) BEFORE OPERATING EXPENSES		(678)	7,032	(2,311)	7,289
OPERATING EXPENSES					
Office and administration		565	518	1,572	1,526
Regulatory		8	14	45	142
Investor relations and marketing		257	447	923	937
Management fees, salaries, and wages		3,319	3,353	10,966	8,453
Professional fees		590	571	2,097	2,016
Travel and entertainment		122	159	438	222
Share-based payments	7	142	314	14,297	1,804
Gain/ (loss) on foreign exchange		(758)	(427)	(717)	101
TOTAL OPERATING EXPENSES		4,245	4,949	29,621	15,201
INCOME / (LOSS) FROM OPERATIONS		(4,923)	2,083	(31,932)	(7,912)
OTHER INCOME (EXPENSE)					
Gain on sale of equipment		-	-	3,695	20
Share of loss of associate		(28)	(15)	(18)	(38)
Gain/ (loss) on sale of subsidiary		(397)	-	27,008	2,479
Accretion of lease liability		(2)	(3)	(6)	(4)
Debt forgiveness		-	-	-	22
Interest income, net of expense		(165)	2	(664)	1
NET INCOME / (LOSS)		(5,515)	2,067	(1,917)	(5,432)
OTHER COMPREHENSIVE INCOME					
Foreign currency translation reserve		313	196	726	17
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(5,202)	2,263	(1,191)	(5,415)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Unaudited – Prepared by management

	Three months ended		Nine months ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	CAD'000	CAD'000	CAD'000	CAD'000
Basic income /(loss) per common share	(0.13)	0.06	(0.03)	(0.17)
Weighted average number of common shares outstanding	40,614,006	36,304,510	38,757,825	32,735,990

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited – Prepared by management

		Nine months ended 30 September 2022	Nine months ended 30 September 2021
	Note	CAD'000	CAD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(1,917)	(5,433)
Adjustments for non-cash operating activities:		(27,595)	(13,407)
Share-based payments		14,296	1,804
Share of loss of associate		18	38
Digital assets hashed	3	(20,286)	(19,866)
Loss on revaluation of digital assets	3	2,356	2,580
Loss on sale of digital assets	3	3,581	2,424
Depreciation and amortization		2,858	1,825
Depreciation on right of use assets		279	193
Accretion of lease liability		6	4
Gain on sale of equipment		(3,695)	-
Gain on sale of subsidiary		(27,008)	(2,409)
Changes in working capital:		19,855	28,860
Digital assets		6,627	27,861
Accounts receivable		(425)	(604)
Other receivables		-	(184)
Prepaid expenses		10,527	3,505
Accounts payable and accrued liabilities		3,126	(1,718)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(9,657)	10,020
CASHFLOWS FROM INVESTING ACTIVITIES			
Deposits on infrastructure		-	(2,173)
Deposits on hashing equipment	2	(14,916)	(22,140)
Investment in associate		-	(155)
Refund of deposit on infrastructure		357	-
Proceeds on sale of equipment		5,384	-
Proceeds on sale of subsidiary		30,584	20
Purchase of equipment		(142)	(1,212)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		21,267	(25,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued for cash		-	17,578
Share issuance cost		-	(2,370)
Repayment of promissory note	6	(6,431)	-
Settlement of lease obligations	5	(269)	(175)
Options exercised		-	684
Warrants exercised		-	90
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(6,700)	15,807

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Unaudited – Prepared by management

	Nine months ended 30 September 2022 CAD'000	Nine months ended 30 September 2021 CAD'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,910	167
Net cash and cash equivalents at beginning of the year	3,980	2,090
Effects of foreign exchange on cash and cash equivalents	(768)	(732)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,122	1,525

See note 9 for supplemental non-cash cashflow information.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited – Prepared by management

	Note	Number of common shares	Number of non-voting shares	Share capital CAD'000	Contributed surplus CAD'000	Accumulated other comprehensive income / (loss) CAD'000	Accumulated Deficit CAD'000	Total CAD'000
BALANCE AT 1 JANUARY 2021		24,819,643	2,279,215	51,053	6,826	23	(44,050)	13,852
Share based payments		-	-	-	1,804	-	-	1,804
Exercise of options		290,000	-	1,243	(559)	-	-	684
Exercise of warrants		15,000	-	90	-	-	-	90
Issuance of RSU's		200,000	-	850	(850)	-	-	-
Non-voting shares transferred at par value		2,279,215	(2,279,215)	-	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	(17)	-	(17)
Shares issued on equity raise		8,695,652	-	40,000	874	-	-	40,874
Shares issuance cost for public offering		-	-	(3,244)	-	-	-	(3,244)
Net loss for the period		-	-	-	-	-	(5,433)	(5,433)
BALANCE AT 30 SEPTEMBER 2021		36,299,510	-	89,992	8,095	6	(49,483)	48,610
BALANCE AT 1 JANUARY 2022		37,512,010	-	91,779	8,225	49	(48,651)	51,401
Share based payments		-	-	-	14,297	-	-	14,297
Shares issued for executive compensation	8	873,115	-	2,998	(2,998)	-	-	-
Shares issued for Chief Fuels Ltd.	8	2,250,000	-	6,296	(6,296)	-	-	-
Net loss for the period		-	-	-	-	-	(1,917)	(1,917)
Foreign currency translation adjustment		-	-	-	(1)	726	-	725
BALANCE AT 30 SEPTEMBER 2022		40,635,125	-	101,073	13,227	775	50,568	64,507

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Stated in 000's, except per share amounts)

1. Components of the Financial Statements

1.1 Nature of operations

Reporting entity

Taal Distributed Information Technologies Inc. (the "Company") is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "TAAL" and the OTCQX under the symbol "TAALF". The Company was incorporated under the Business Corporations Act (British Columbia) on March 23, 2011. On January 13, 2015, the Company changed its name from 0906251 B.C. Ltd. to Squire Mining Ltd. On December 11, 2019, the Company changed its name to TAAL Distributed Information Technologies Inc. and on July 8, 2021, was continued under the Canada Business Corporations Act as a federally incorporated corporation. The address of the Company's registered and records office is 199 Bay Street, Suite 4000, Toronto, Ontario M5L 1A9. In August 2018, the Company completed a change of business and is now in the business of operating and managing blockchain infrastructure to solve complex computation problems to validate transactions on various blockchains. In 2020, the Company expanded its scope to other blockchain technologies and offering products related to blockchain enterprise.

Liquidity, financial condition and going concern

These consolidated financial statements have been prepared on a going concern basis, notwithstanding that the Company has had an accumulated deficit. As of September 30, 2022, the Company had working capital of \$14,144 and shareholders' equity of \$64,507.

The Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon maintaining sustained profitability and maintaining any liabilities in good standing. There are various risks and uncertainties affecting the Company's operations including, but not limited to, the liquidity of digital assets, the economics of digital asset hashing, the Company's ability to maintain security of its digital assets, manage its expenditures, to successfully execute its business plan and raise equity capital or borrowings sufficient to meet current and future obligations. No assurance can be provided that any future equity or debt capital raises would be successful or available on favourable terms. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation on a liquidation basis, which could differ materially from the values presented in the condensed interim consolidated financial statements.

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Standards Interpretations Committee ("IFRIC").

The Company operates with digital currencies (predominately Bitcoin "BTC", Bitcoin Cash "BCH" and Bitcoin Satoshi Vision "BSV"). IFRS guidance does not directly address many aspects related to treatment and disclosure of digital currencies. Management is required to make significant judgments in the selection and application of its accounting policies.

1. Components of the Financial Statements, continued

1.1 Nature of operations, continued

The Company has disclosed its presentation, measurement, recognition and derecognition of digital currencies, at the recognition of revenue as well as significant assumptions and judgements, however if specific guidance is enacted by IASB in the future, the impacts on disclosure may result in the changes to the Company's earnings and financial position.

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on November 10, 2022.

1.2 Basis of preparation

Consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its active wholly owned subsidiaries. All intercompany transactions, balances, revenues, and expenses are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. As of September 30, 2022, the Company had five active, wholly owned subsidiaries and one minority owned associate.

Company Name	Country of Operation	Ownership Interest	Functional Currency
12273977 Canada Inc.	Canada	100%	Canadian dollar ('CAD')
Taal Technologies SEZC	Cayman Islands	100%	U.S. dollar ('USD')
Taal Trading SEZC	Cayman Islands	100%	U.S. dollar ('USD')
Taal DIT GmbH	Switzerland	100%	Swiss franc ('CHF')
Zero 32 Associates Ltd.	United Kingdom	100%	Pound sterling ('GBP')
Codugh Pty Ltd.	Australia	19.9%	Australian dollar ('AUD')

Any reference to "the Company" throughout these financial statements refers to the company and its subsidiaries.

Basis of presentation

The consolidated financial statements have been prepared in Canadian dollars on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value. Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are classified using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted market prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

1. Components of the Financial Statements, continued

1.3 Significant accounting policies

Digital Assets

The Company considers that digital assets are a commodity that can be actively traded on open markets. There is currently not an IFRS that defines the term “commodity”, the Company has considered the guidance in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors that allow an entity to consider the most recent pronouncements of other standard setting literature bodies that use similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices to the extent that these do not conflict with the requirements of IFRS and the International Accounting Standards Board Conceptual Framework. Based on this definition and the guidance in IAS 8, the Company has therefore determined that digital assets are a commodity notwithstanding that digital assets lack physical substance.

The Company’s activities include trading digital assets and, therefore, subsequent to initial recognition, digital assets inventory is held at fair value less costs to sell, reflecting the Company’s intention to hold such digital asset inventory as a commodity broker-trader in accordance with IAS 2 Inventories. As a result of the digital assets protocol, costs to sell digital assets inventory are immaterial and no allowance is made for such costs. Changes in the amount of digital asset inventory based on the fair value are included in the profit or loss for the period.

The Company’s determination to classify its digital assets as current assets on its consolidated statement of financial position is based on (a) management’s internal decision to sell its digital assets for cash after they have been earned and (b) management’s assessment that its digital assets have available liquid markets to which the Company may sell such assets at any given time.

Reclassification of prior year balances

The Company may reclassify comparative balances for disclosure purposes as the Company’s operations change and current year balances require additional detail within consolidated financial statements and the accompanying notes. Such reclassifications do not result in a change in prior year financial position or results from operations.

1.4 Significant Estimates and Judgements

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

The following are the estimates and assumptions that have been made in applying the Company’s accounting policies that have the most significant effect on the amounts in the audited consolidated financial statements:

Useful life and depreciation of hashing equipment

Management is depreciating blockchain hashing equipment over two to four years on a straight-line basis. Management increased its estimate of useful life based on an assessment while the equipment was in use and determined the machines are more resilient to wear and tear than initially assessed. The hashing equipment is used to calculate algorithms on the blockchain and generate rewards. The rate at which the Company generates digital assets and, therefore, consumes the economic benefits of its hashing equipment is influenced by several factors including the following:

- The complexity of the blockchain transaction process which is driven by the algorithms contained within the relevant blockchain’s open-source software.

1. Components of the Financial Statements, continued

1.4 Significant Estimates and Judgements, continued

- The general availability of appropriate computer processing capacity on a global basis, technological obsolescence reflecting rapid development in the hashing equipment such that more recently developed hardware is more economically efficient to run in terms of digital assets transaction processed as a function of operating costs.
- Primarily power costs (i.e., the speed of hashing equipment) evolution in the industry is such that newer hashing equipment models generally have faster, and more efficient hashing capacity combined with lower operating costs through lower overall power consumption on a per hash computation basis.
- Based on the Company's, and the industry's short life cycle to date, management is limited by the market data available. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including digital assets' price and network difficulty, are derived.
- From management's assumptions which are inherently judgmental, based on current data available, management has determined that the straight-line method of depreciation over two to four years best reflects the current expected useful life of hashing equipment. Management will review this estimate at each reporting date and will revise such estimates as and when data becomes available. The hashing equipment have been assumed to have no residual value at the end of their useful life. Management will review the appropriateness of its assumption of no residual value at each reporting date.
- Management also assesses whether there are any indicators of impairment of hashing equipment at the end of each reporting period and if any such indication exists, the Company will estimate the recoverable amount of its hashing equipment

Liquidity

The assumption used in the preparation of these financial statements is that the Company is a going-concern and will continue its operations for the foreseeable future considering the cashflow from financing and investing activities subsequent to period end (refer note 1.1 for further details).

Impairment

Judgement is required in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. The information we consider in assessing whether there is an indicator of impairment includes but is not limited to, market transactions for similar assets, bitcoin prices, interest rates, market capitalization and operating results.

During the periods ended September 30, 2021, and 2022, as a result of a wide range of indicators, digital asset prices and volatility in the blockchain space, down time of idle machines with damage incurred in transit during the year management reviewed the Company's hashing fleet and intangible assets for impairment under the requirements of IAS 36, Impairment of Assets and accordingly, performed an impairment test.

When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. These models are prepared internally or with assistance from third-party advisors when required. When market transactions for comparable assets are available, these are considered in determining the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include digital asset pricing, volatility, network variables, operating costs, capital expenditure, and discount rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Change in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statements of loss and comprehensive loss and the resulting carrying value of the assets.

1.5 Auditor Engagement

The Company is currently in discussions with several qualified audit firms (“auditors”) to engage their services in relation to the annual audit and other statutory requirements.

Although it is expected the Company will be able to secure a new auditor for fiscal 2022 there is no certainty and no assurance can be provided that the Company will be able to obtain audited financial statements in a timely and cost efficient manner.

2. Prepaid Expenses and Other Assets

	30 September 2022	31 December 2021
	CAD'000	CAD'000
CURRENT PREPAID EXPENSES	364	994
Trade prepaids	287	801
Prepayment to hosting service provider	-	181
Other assets	77	12
DEPOSITS ON HASHING EQUIPMENT AND FACILITIES	38,171	28,272

During the nine-month period ended September 30, 2022 the Company made deposits of \$5,712 to acquire digital asset hashing equipment along with additional shipping deposits for machines in transit that are yet to be put in use. The Company made significant deposits to acquire digital asset hashing equipment along with refundable deposits against infrastructure upgrades of \$1,816 with a Canadian provincial power authority to route electrical lines and gain access to 50MW of power at the proposed data center being developed in New Brunswick with the remainder of the balance related to SHA-256 hashing equipment. This equipment is expected to be operational through the fourth quarter. During the year ended December 31, 2021 the Company also made a refundable operational deposit in the amount of \$5,425 with a Canadian provincial power authority to secure a pre-determined amount of energy.

3. Digital assets

Below is a summary of the movements of digital assets received and transacted with during the financial year (rounded to two decimal places):

	Bitcoin BTC	Bitcoin Cash BCH	Bitcoin SV BSV	Total CAD'000
BALANCE AT 1 JANUARY 2021	1.66	4.2	32,049.44	6,720
Digital assets hashed	-	3,887.26	162,172.87	34,556
Received in TAALPool	-	-	24,497.73	8,006
Paid out from TAALPool	-	-	(29,991.95)	(8,112)
Received from equity raise	-	-	56,563.53	13,523
Received for sale of subsidiary	38.46	-	-	2,409
Received from loan proceeds	-	-	18,037.53	4,470
Digital assets purchased	48.78	-	-	3,666
Received from customers	-	-	2,889.56	807
Received as collateral for options	-	-	100.00	23
Traded for fiat currency	(36.67)	(2,407.20)	(168,800.00)	(40,489)
Paid for prepaid hosting fees	-	-	(22,808.00)	(4,734)
Payment of vendor trade payables	(48.25)	-	(870.17)	(3,802)
Note receivable to FYX Gaming	-	-	(1,553.86)	(316)
Revaluation of digital assets	-	-	-	(2,843)
Loss on sale of digital assets	-	-	-	(2,446)
Foreign exchange translation	-	-	-	1,216
BALANCE AT 31 DECEMBER 2021	0.98	1,187.36	77,286.68	12,654
Digital assets hashed	-	21,412.53	163,392.22	20,286
Digital assets purchased	124	-	9,865.01	6,261
Expense reimbursement	-	-	758.50	95
Traded for fiat currency	-	7,650.00	(90,642.00)	(12,887)
Paid for prepaid hosting fees	(19.38)	-	(90,736.74)	(10,139)
Payment of vendor trade payables	(11.54)	-	(1,543.31)	(119)
Payments for hash rental	(88.67)	-	-	(3,595)
Hosting profit reimbursement	-	(97.46)	(3,142.75)	(200)
Revaluation of digital assets ¹	-	-	-	(2,356)
Loss on sale of digital assets	-	-	-	(3,581)
Foreign exchange translation	-	-	-	540
BALANCE AT 30 SEPTEMBER 2022	5.39	14,852.43	65,237.61	6,958

¹ Digital assets held are considered to be Level 2 financial instruments and re-valued mark-to-market each reporting period based on the fair value price of digital assets as of the reporting date.

4. Property, Plant, and Equipment

4.1 Cost

	Building CAD'000	Land CAD'000	Infrastructure CAD'000	Hashing Servers CAD'000	Total CAD'000
BALANCE AT 1 JANUARY 2021	-	-	92	8,776	8,868
Additions	1,805	360	101	11,125	13,391
Disposals	-	-	-	(6,709)	(6,709)
Impairment	-	-	-	(243)	(243)
Effects of movement in exchange rates	-	-	1	(9)	(8)
BALANCE AT 31 DECEMBER 2021	1,805	360	194	12,940	15,299
Additions	483	-	125	4,950	5,558
Disposals	(2,288)	(360)	(7)	(2,676)	(5,331)
BALANCE AT 30 SEPTEMBER 2022	-	-	312	15,212	15,524

4.2 Depreciation

	Building CAD'000	Land CAD'000	Infrastructure CAD'000	Hashing Servers CAD'000	Total CAD'000
BALANCE AT 1 JANUARY 2021	-	-	22	6,719	6,741
Depreciation for the year	-	-	38	915	953
Disposals	-	-	-	(6,719)	(6,719)
Effects of movement in exchange rates	-	-	1	-	1
BALANCE AT 31 DECEMBER 2021	-	-	61	915	976
Depreciation for the year	-	-	64	1,943	2,007
Disposals	-	-	(7)	(807)	(814)
Effects of movement in exchange rates	-	-	2	-	2
BALANCE AT 30 SEPTEMBER 2022	-	-	120	2,051	2,171

4.3 Net book value

	Building CAD'000	Land CAD'000	Infrastructure CAD'000	Hashing Servers CAD'000	Total CAD'000
BALANCE AT 31 DECEMBER 2021	1,805	360	133	12,025	14,323
BALANCE AT 30 SEPTEMBER 2022	-	-	192	13,161	13,353

5. Leases

5.1 Right of use assets

	Buildings and Leaseholds
COST	CAD'000
Balance as at 1 January 2022	1,616
Leasehold improvements	50
Modifications	234
Accumulated depreciation	(553)
Effects of movements in exchange rates	232
NET BOOK VALUE AS AT 30 SEPTEMBER 2022	1,579

5.2 Lease Obligations

	Buildings and Leaseholds
COST	CAD'000
Balance at 1 January 2022	1,582
Payments	(269)
Modification	234
Accretion of lease	12
Effects of movements in exchange rates	(1)
NET LEASE OBLIGATIONS AS AT 30 SEPTEMBER 2022	1,558

5.3 Undiscounted minimum lease payments

	30 September 2022
	CAD'000
Year 1	354
Year 2	226
Year 3	178
Year 4	178
Year 5	178
Thereafter	401
Effects of discounting	42
Present value of minimum lease payments	1,558
Less: Current portion	(354)
NON-CURRENT PORTION OF LEASE LIABILITY	1,204

6. Promissory Note Payable

	30 September 2022	31 December 2021
	CAD'000	CAD'000
Promissory note – Long term portion	6,846	12,809

The Company obtained financing of \$12,809,000 (USD \$10,000,000) on December 3, 2021, through the issuance of a promissory note. The note bears interest at 8% per annum payable quarterly and is repayable in full at the borrower's option without penalty after December 3, 2022. The loan matures on December 31, 2024. The note is secured by a general security interest in the assets of the Company. In the event of default, the loan will accrue interest at 15% per annum.

7. Share Capital

7.1 Authorized

Authorized share capital consists of common shares and non-voting participating shares. The company is authorized to issue an unlimited number of shares in both share classes and neither share class has a par value.

7.2 Issued

As of 30 September 2022, 40,635,125 (December 31, 2021: 37,512,010) common shares were issued and outstanding. As of 30 September 2022, nil (December 31, 2021: nil) non-voting participating shares were issued and outstanding.

The non-voting participating shares without par value have the same economic rights as the common shares without par value with the exception of not containing voting rights associated with common shares of the Company.

On April 4, 2022 the Company issued 2,250,000 shares as compensation to sellers of Chief Fuels Inc. ('CFI') as the sale of CFI triggered an immediate vesting of milestone shares in addition to 1,187,500 shares paid in consideration for the acquisition of Chief Fuels Inc. in 2021. The Company holds 2,762,500 unreleased shares in lock-up agreements subject to non-vesting conditions.

The Company holds 695,952 unreleased shares in lock-up agreements in relation to share acquisitions. These shares are to be released in 2022 subject to non-vesting conditions; the shares can be repurchased for \$0.01 by the Company should the conditions not be met. All voting rights related to these shares remain with the board until released and pertain to the acquisition of WatsonChain.

On March 18, 2021, the company issued 8,695,652 common share units at \$4.60 a share in a prospectus offering for aggregate proceeds of \$40,000. Each unit consisted of one common share and one-half warrant. Each warrant was issued at an exercise price of \$6.00 and valid until March 18, 2024. An existing shareholder acted as lead investor purchasing approximately \$13,500 of units. A portion of the raise was received in digital assets at fair market value. Share issuance costs associated with the raise were \$3,244 including the fair market value of the agents' warrants.

7. Share Capital, continued

7.3 Stock Options

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed five years. Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

A summary of the Company's share purchase options outstanding, and changes thereto, on January 1 and September 30, 2022 are presented below:

	Options	Weighted average exercise price
		CAD
OUTSTANDING AT 1 JANUARY 2021	1,487,500	2.08
Expired	(5,000)	2.45
Forfeited	(20,000)	1.82
Granted	225,000	3.01
Exercised	(315,000)	2.30
OUTSTANDING AT 1 JANUARY 2022	1,372,500	2.18
Forfeited	(35,000)	2.71
Granted	1,829,438	3.68
OUTSTANDING AT 30 SEPTEMBER 2022	3,166,938	2.47

The weighted average share price of the Company at the time of options exercise was \$4.31 for the year ended December 31, 2021.

As of September 30, 2022, share purchase options outstanding, detailed below, have a weighted average remaining contractual life of 2.03 years (31 December 2021: 2.66 years).

Expiry date	Exercise price	Outstanding	Vested and exercisable
	CAD	Shares	Shares
December 9, 2022	1.10	62,500	62,500
May 3, 2023	1.91	300,000	300,000
December 3, 2023	2.10	425,000	425,000
December 14, 2023	1.95	57,500	57,500
January 28, 2024	2.80	200,000	133,333
September 12, 2024	3.65	45,000	45,000
January 21, 2025	3.60	1,169,438	1,169,438
May 1, 2025	1.29	360,000	180,000
September 1, 2025	1.90	122,500	122,500
October 13, 2025	1.79	300,000	300,000
December 1, 2025	1.90	100,000	100,000
September 7, 2026	4.68	25,000	25,000
		3,166,938	2,920,271

7. Share Capital, continued

7.3 Stock Options, continued

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following estimated assumptions during the period ended 30 September 2022:

	30 September 2022
Risk free rate	1.40 – 2.58%
Expected dividend rate	0%
Expected volatility	77.32 – 124.80%
Expected life of options	1 – 3 years
Weighted average fair value of options granted for the period	2.71

7.4 Agents' Warrants

A reconciliation of Agents' warrants outstanding as at December 31, 2021 and September 30, 2022 is presented below:

	Agents' warrants	Weighted average exercise price CAD
OUTSTANDING AND EXERCISABLE AS AT 31 DECEMBER 2021	424,253	4.60
Expired	(424,253)	4.60
OUTSTANDING AS AT 30 SEPTEMBER 2022	-	-

7.5 Share Purchase Warrants

A reconciliation of share purchase warrants outstanding as at 30 September 2022 and 31 December 2021 is presented below:

	Agents' warrants	Weighted average exercise price CAD
OUTSTANDING AND EXERCISABLE AS AT 31 DECEMBER 2021	4,332,826	6.00
OUTSTANDING AND EXERCISABLE AS AT 30 SEPTEMBER 2022	4,332,826	6.00

As at September 30, 2022, share purchase warrants outstanding have a weighted average remaining contractual life of 1.47 years (31 December 2021: 2.21).

7. Share Capital, continued

7.6 Restricted Stock Units

A reconciliation of Restricted Stock Units (RSU) outstanding as at December 31, 2021 and September 30, 2022 is presented below:

	Restricted stock units
OUTSTANDING AS AT 31 DECEMBER 2021	200,000
Granted	93,281
Exercised	(108,811)
OUTSTANDING AS AT 30 SEPTEMBER 2022	184,470

200,000 RSUs were issued on January 28, 2021. These RSUs vest equally over three years beginning in 2022.

93,281 RSUs were granted and vested immediately to officers of the company on March 4, 2022.

66,572 RSUs were exercised by executives of the Company on May 7, 2022. A further 42,239 RSUs were exercised by executives of the Company on September 7, 2022.

8. Related Party Transactions

Key management personnel of the Company are current members of the Board of Directors, as well as senior management, including the Chief Executive Officer and the Chief Financial Officer. Key management personnel compensation includes:

	3 Months ended		9 Months ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	CAD'000	CAD'000	CAD'000	CAD'000
Management fees, salaries, and wages	676	547	2,743	2,191
Directors' fees	295	755	853	1,285
Share based payments	61	314	6,216	1,742
	1,032	1,616	9,812	5,218

During the three months ended September 30, 2022 officers of the Company exercised 42,239 restricted stock units with a value of \$139. Officers of the Company have exercised a total of 108,451 restricted stock units with a cumulative value of \$328 during the nine months ended September 30, 2022.

The Company earned nil for the nine months ended September 30, 2022 and \$109 for the nine months ended September, 2021 in digital asset hashing pool management from a related party.

On July 25, 2022 the Company acquired 100% of the outstanding shares in Zero 32 Associates Ltd from a director and officer of the company. Consideration transferred in the acquisition amounted to \$77 fully settled in cash. The consideration transferred is not included in the table presented above.

9. Supplemental Cash Flow Information

Non-cash transactions included in the working capital items consist of the following:

	Nine months ended 30 September 2022 CAD'000	Nine months ended 30 September 2021 CAD'000
NON-CASH TRANSACTIONS INCLUDED IN WORKING CAPITAL		
Digital assets received for accounts receivable	-	724
Digital assets received in TAAL pool	-	8,006
Digital assets paid out from TAAL pool	-	(8,112)
Digital assets exchanged for prepaid hosting services	(10,139)	(3,659)
Digital assets received for expense reimbursements	95	-
Digital assets used to repay vendor trade payables	(119)	(197)
Digital assets paid for hash rental	(3,595)	-
Digital assets paid for profit reimbursement	(200)	-
Settlement of terminated acquisition receivable	-	18,603
Settlement of terminated acquisition payable	-	(18,603)
NON-CASH TRANSACTIONS INCLUDED IN INVESTING AND FINANCING ACTIVITIES		
Issuance of equity to settle promissory note	-	8,899
Digital assets received from issuance of common shares	-	13,523
Issuance of agents' warrants	-	874
Issuance of restricted stock units	-	850
Recognition of right of use asset and liability	-	1,879
Digital assets received from loan proceeds	-	4,470
Digital assets issued as note receivables	-	316
Lease modification	234	-
Transfers of equipment from Deposits to PPE	4,903	-

10. Subsequent Events

The Company has evaluated all events that occurred after the balance sheet date through the date when the financial statements were issued.

10.1 Lake Parime

In conjunction with the continued implementation of operations at the Lake Parime site in Ohio, hashing equipment carried at \$25,415 and representing approximately 300 PH/s will be transferred from non-current deposits to fixed assets as the equipment has become available for use during November 2022.

10.2 Definitive acquisition agreement

On November 2, 2022 the company announced that it has entered into a definitive acquisition agreement pursuant to which Mr. Calvin Ayre, a significant shareholder of the Company, will indirectly acquire all of the remaining Common Shares by way of a statutory plan of arrangement to take the Company private.

The parties to the Acquisition Agreement include the Company, Indigo IP Holdings Ltd. ("Indigo"), a company wholly-owned by Mr. Ayre, and 14487460 Canada Inc. (the "Acquiror"), a wholly owned subsidiary

10. Subsequent Events, continued

10.2 Definitive acquisition agreement, continued

of Indigo. Pursuant to the Acquisition Agreement the Acquiror will purchase all of the Common Shares not held by Mr. Ayre and his affiliates at a price of \$1.07 per Common Share in cash pursuant to a court-approved plan of arrangement.

The Company's board of directors unanimously approved the Acquisition Agreement following a unanimous recommendation from a special committee of independent directors constituted to review the Transaction.

The Transaction is to be implemented by way of and subject to a court-approved plan of arrangement under the Canada Business Corporations Act. Completion of the Transaction requires approval by two thirds of the votes cast by shareholders, as well as the approval by a simple majority of votes cast by minority shareholders present (or represented by proxy) at the Special Meeting excluding Mr. Ayre and his affiliates.

The Transaction is also subject to court approval and the satisfaction of other customary closing conditions. The Company expects to mail an information circular for the Special Meeting in November 2022, and to hold the Special Meeting in late December 2022. If approved by Shareholders, the Transaction is expected to close shortly following the Special Meeting. Following closing it is expected that the Common Shares will be delisted from the Canadian Securities Exchange and application will be made for Taal to cease being a reporting issuer in Canada.

10.3 Adverse market conditions

Currently the adverse market environment, decrease in coin values and the actual and potential insolvencies facing many companies in the industry such as the high-profile failures of some crypto hedge funds, lenders and exchanges creates significant obstacles for the Company. The Company will require access to additional capital in the near future to continue its operations. The challenging market environment for obtaining any equity financing and the uncertainty and cost that would be associated with securing any available debt financing makes the ability to raise additional capital uncertain.