CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Athena Bitcoin Global

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

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Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2022	December 31, 2021
	(in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,949	$ 1,174
Restricted cash held for customers	976	3,671
Accounts receivable	1,083	1,531
Other advances	1,595	845
Prepaid expenses and other current assets	1,206	727
Total current assets	8,809	7,948
Crypto assets held	544	842
Property and equipment, net	2,557	2,903
Leased assets	2,897	2,318
Other noncurrent assets	2,136	990
Total assets	$ 16,943	$ 15,001
Liabilities and Shareholders' deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,871	$ 1,044
Accounts payable, related party	462	407
Liability for cash held for customers	976	3,671
Advances for revenue contract	5,742	3,500
Leased liabilities	795	624
Income tax payable	1,167	14
Long-term debt, current portion	497	1,959
Short-term debt	899	75
Related party note payable, current portion	590	90
Convertible debt	1,520	–
Other current liabilities	525	615
Total current liabilities	17,044	11,999

See accompanying notes.

Athena Bitcoin Global
Condensed Consolidated Balance Sheets (Unaudited)

	September 30, 2022	December 31, 2021
	(in thousands, except number of shares)	
Long-term liabilities:		
Long-term debt	$ 740	$ 1,117
Lease liabilities	2,102	1,694
Related party convertible debt	3,000	3,000
Convertible debt	–	4,765
Total liabilities	22,886	22,575
Commitments and contingencies (Note 15)		
Shareholders' deficit:		
Common shares, $0.001 par value 4,409,605,000 shares authorized; 4,094,459,545 and 4,049,392,879 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	4,095	4,050
Loans to employees for options exercised	(988)	(977)
Net common stock	3,107	3,073
Additional paid in capital	8,446	5,246
Accumulated deficit	(17,327)	(15,716)
Accumulated other comprehensive loss	(169)	(177)
Total shareholders' deficit	(5,943)	(7,574)
Total liabilities and shareholders' deficit	$ 16,943	$ 15,001

See accompanying notes.

Athena Bitcoin Global
Condensed Consolidated Statement of Operations and Comprehensive Income (Unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2022	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
	(in thousands, except number of shares)			
Revenues	$ 14,049	$ 19,478	$ 53,750	$ 62,987
Cost of revenues	11,423	18,225	46,794	58,005
Gross profit	2,626	1,253	6,956	4,982
Operating expenses:				
Technology and development	156	110	579	163
General and administrative	1,194	1,361	4,736	2,797
Sales and marketing	128	144	480	327
Theft of bitcoin	–	–	–	1,600
Other operating expense	10	12	24	12
Total operating expenses	1,488	1,627	5,819	4,899
Income (loss) from operations	1,138	(374)	1,137	83
Fair value adjustment on crypto asset borrowing derivatives	–	183	–	378
Interest expense	164	164	526	462
Fees on borrowings	–	76	67	268
Other expense	29	–	178	11
Income (loss) before income taxes	945	(797)	366	(1,036)
Income tax expense (benefit)	807	(253)	1,977	(261)
Net income (loss)	$ 138	$ (544)	$ (1,611)	$ (775)
Basic earnings (loss) per share	$ 0.00003	$ (0.00013)	$ (0.00039)	$ (0.00019)
Diluted earnings (loss) per share	$ 0.00005	$ (0.00013)	$ (0.00039)	$ (0.00019)
Weighted average shares outstanding - Basic	4,083,081,524	4,050,726,482	4,083,081,524	4,050,726,482
Weighted average shares outstanding - Diluted	4,348,281,525	4,050,726,482	4,083,081,524	4,050,726,482
Comprehensive loss				
Net income (loss)	$ 138	$ (544)	$ (1,611)	$ (775)
Foreign currency translation adjustment	(15)	10	8	(46)
Comprehensive income (loss)	$ 123	$ (534)	$ (1,603)	$ (821)

See accompanying notes.

Athena Bitcoin Global
Condensed Consolidated Statement of Cash Flows (Unaudited)

	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
	(in thousands)	
Operating activities		
Net loss	$ (1,611)	$ (775)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,133	332
Impairment of crypto assets held	205	8
Crypto asset payments for expenses	2,264	682
Theft of bitcoin	–	1,600
Deferred income tax	(705)	(261)
Gain on sale of crypto assets	(8,237)	(7,236)
Fair value adjustment on crypto asset borrowing derivatives	–	378
Changes in operating assets and liabilities:		
Accounts receivable	447	(2,202)
Other advances	(750)	(730)
Prepaid expenses and other assets	(1,906)	(776)
Customer advances	(2,694)	2,504
Advances received for revenue contract	–	3,500
Accounts payable and other liabilities	6,743	601
Net cash used in operating activities	(5,111)	(2,375)
Investing activities		
Purchase of property and equipment	(603)	(2,185)
Purchase of crypto assets	(42,693)	(57,306)
Sale of crypto assets	49,010	61,584
Net cash provided by investing activities	5,714	2,093
Financing activities		
Issuance of convertible debt	–	4,985
Proceeds (repayment) of debt, net	(523)	(1,399)
Net cash (used) provided by financing activities	(523)	3,586
Net increase in cash and cash equivalents	80	3,304
Cash, cash equivalents and restricted cash, beginning of period	4,845	2,085
Cash, cash equivalents and restricted cash, end of period	$ 4,925	$ 5,389
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	$ 3,949	$ 5,389
Restricted cash held for customers	976	–
Total cash, cash equivalents and restricted cash	$ 4,925	$ 5,389
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 539	$ 462
Cash paid for taxes	$ 33	$ 214
Leased assets obtained in exchange for operating lease liabilities	$ 699	$ 392
Crypto assets used to buy property and equipment	$ 121	$ 476
Supplemental schedule of non-cash financing activities:		
Conversion of debt for common shares	$ 3,590	$ –

See accompanying notes.

Athena Bitcoin Global
Consolidated Statement of Shareholders' Deficit

	Common Units		Receivables From Employees For Stock	Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Options	Capital	Deficit	Loss	Total
			(in thousands, except number of shares)				
Balance, December 31, 2020	4,049,392,879	$ 4,050	$ (961)	$ 6,037	$ (12,281)	$ (117)	$ (3,272)
Net loss	–	–	–	–	(618)	–	(618)
Adjustments for prior periods from adopting ASU 2020-06	–	–	–	(1,136)	165	–	(971)
Foreign currency translation adjustment	–	–	–	–	–	(6)	(6)
Accrued interest on employee loans	–	–	(4)	–			(4)
Balance, March 31, 2021	4,049,392,879	4,050	(965)	4,901	(12,734)	(123)	(4,871)
Net income	–	–	–	–	384	–	384
Foreign currency translation adjustment	–	–	–	–	–	(49)	(49)
Accrued interest on employee loans	–	–	(4)	–	–	–	(4)
Balance, June 30, 2021	4,049,392,879	$ 4,050	$ (969)	$ 4,901	$ (12,350)	$ (172)	$ (4,540)
Net income	–	–	–	–	(540)	–	(540)
Foreign currency translation adjustment	–	–	–	–	–	10	10
Accrued interest on employee loans	–	–	(4)	–	–	–	(4)
Balance, September 30, 2021	4,049,392,879	$ 4,050	$ (973)	$ 4,901	$ (12,890)	$ (162)	$ (5,074)
Balance, December 31, 2021	4,049,392,879	$ 4,050	$ (977)	$ 5,246	$ (15,716)	$ (177)	$ (7,574)
Net loss	–	–	–	–	(944)	–	(944)
Foreign currency translation adjustment	–	–	–	–	–	7	7
Debt conversions	45,066,666	45	–	3,200	–	–	3,245
Accrued interest on employee loans	–	–	(3)	–	–	–	(3)
Balance, March 31, 2022	4,094,459,545	4,095	(980)	8,446	(16,660)	(170)	(5,269)
Net loss	–	–	–	–	(805)	–	(805)
Foreign currency translation adjustment	–	–	–	–	–	16	16
Accrued interest on employee loans	–	–	(4)	–	–	–	(4)
Balance, June 30, 2022	4,094,459,545	$ 4,095	$ (984)	$ 8,446	$ (17,465)	$ (154)	$ (6,062)
Net income	–	–	–	–	138	–	138
Foreign currency translation adjustment	–	–	–	–	–	(15)	(15)
Accrued interest on employee loans	–	–	(4)	–	–	–	(4)
Balance, September 30, 2022	4,094,459,545	$ 4,095	$ (988)	$ 8,446	$ (17,327)	$ (169)	$ (5,943)

See accompanying notes.

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Athena Bitcoin Global (f.k.a. GamePlan, Inc.), a Nevada corporation, and its wholly owned subsidiary, Athena Bitcoin, Inc., a Delaware corporation (together referred to as "Athena Global" or "the Company") is a provider of various crypto asset trading platforms, including the operation of automated teller machines (ATMs) for purposes of selling and buying crypto assets, personalized investor services, and the operation of online peer to peer exchanges. The Company's network of Athena Bitcoin ATMs is presently active in twelve states (CA, TX, GA, FL, OH, IL, MO, PA, MI, AL, WI, MN) and the territory of Puerto Rico in the United States, and 4 countries in Central and South America. The Company places its machines in convenience stores, shopping centers, and other easily accessible locations.

The Company has changed its name to Athena Bitcoin Global from GamePlan, Inc. in a filing with the Secretary of State of the State of Nevada effective as of April 15, 2021.

Athena Bitcoin Global was a "shell company" (as such term is defined in Rule 12b-2 under the Exchange Act) immediately before the completion of the transactions described below. Athena Bitcoin Global was incorporated in the state of Nevada in 1991 under the name "GamePlan, Inc." for the sole purpose of merging with Sunbeam Solar, Inc., a Utah corporation, which merger occurred as of December 31, 1991. The Articles of Merger were filed in the state of Nevada pursuant to which the Company was the surviving entity following the merger. The Company was involved in various businesses, including, gaming and other consulting services, prior to becoming a company seeking acquisitions. The Company filed form 10-SB with the Securities and Exchange Commission in September 1999 thus becoming a reporting company under section 12(g) of the Securities and Exchange Act of 1934. The Company subsequently filed Form 15 in March 2015, terminating its reporting status.

On January 14, 2020, Athena Bitcoin Global (f.k.a. GamePlan, Inc.) entered into a Share Exchange Agreement (the "Agreement"), by and among the Company, Athena Bitcoin, Inc., a Delaware S corporation ("Athena") founded in 2015, and certain shareholders of Athena Bitcoin, Inc. The Agreement provides for the reorganization of Athena Bitcoin, Inc., with and into Athena Bitcoin Global (f.k.a. GamePlan, Inc.), resulting in Athena Bitcoin, Inc. becoming a wholly owned subsidiary of Athena Bitcoin Global. The agreement is for the exchange of 100% shares of the outstanding Common Stock of Athena Bitcoin, Inc., for 3,593,644,680 shares of Athena Bitcoin Global common stock (an exchange rate of 1,244.69 shares of Athena Bitcoin Global stock for each share of Athena Bitcoin, Inc. stock). The closing of the transaction occurred as of January 30, 2020.

In accordance with ASC 805-10-55-12, because the former shareholders of Athena Bitcoin, Inc. acquired the majority (88%) of the voting rights of the Company and control of the Company's board of directors and senior management of Athena Bitcoin, Inc. became management of the combined entity, the Company determined that the Share Exchange was a reverse acquisition.

As the Share Exchange is considered a reverse acquisition, in accordance with ASC 805-40-45-2, for financial statement purposes Athena Bitcoin, Inc. is considered the accounting acquiror. Accordingly, the historical financial statements prior to the Share Exchange are those of Athena Bitcoin, Inc., except that the historical equity of Athena Bitcoin Global has been retroactively restated to reflect the number of shares received in the business combination at the exchange rate of 1,244.69 shares of Athena Bitcoin Global common stock for each share of Athena Bitcoin, Inc. common stock. The historical common stock carrying amount has been adjusted to reflect the revised par value of the outstanding stock and the corresponding offset was reflected in the additional paid-in capital. All share and per share information included in these financial statements have been adjusted to reflect the 1,244.69 to 1 share conversion.

In connection with the Share Exchange, as discussed in Note 18, the SAFT Notes were converted into 1,653,425,404 shares of Athena Bitcoin, Inc. (which were then exchanged for Athena Bitcoin Global common stock). Additionally, warrants to purchase 115,888,490 shares of Athena Bitcoin, Inc.'s common stock were exercised for proceeds of $69,000. These shares were then exchanged for Athena Bitcoin Global common stock). Also, as discussed in Note 11, the Swingbridge notes were converted into 419,078,082 shares of Athena Bitcoin, Inc.'s common stock (which was then exchanged for Athena Bitcoin Global common stock). Lastly, 157,635,309 shares of Athena Bitcoin, Inc. were issued upon the exercise of stock options (which was then exchanged for Athena Bitcoin Global common stock).

There were 4,079,815,704 shares of Athena Bitcoin Global's common stock outstanding following the closing date of the transaction. Athena Bitcoin Global subsequently purchased and cancelled 30,442,825 shares. Athena Bitcoin Global has 4,094,459,545 shares issued and outstanding, and authorized capital of 4,409,605,000 shares as of September 30, 2022.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Athena Bitcoin Global, Athena Bitcoin, Inc. and its wholly owned subsidiaries, Athena Bitcoin S. de R.L. de C.V., incorporated in Mexico; Athena Holdings Colombia SAS, incorporated in Colombia; Athena Holding Company S.R.L, incorporated in Argentina; Athena Holdings of PR LLC, incorporated in Puerto Rico; Athena Holdings El Salvador, S.A. de C.V., incorporated in El Salvador; and Athena Business Holdings Panama S.A. incorporated in Panama. All intercompany account balances and transactions have been eliminated in consolidation.

Going Concern

The Company adopted Financial Accounting Standards Board (FASB) ASU No. 2014-15, Presentation of Financial Statements – Going Concern, effective December 31, 2017, which requires that management evaluate whether there are relevant conditions or events that, in aggregate, raise substantial doubt about the entity's ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the financial statements are issued. The Company considered all significant existing and new contracts entered in 2022 as part of its going concern assessment and concluded that substantial doubt about the Company continuing as a going concern does exist.

The Company had a net loss in the nine months ended September 30, 2022. These conditions and events create an uncertainty about the ability of the Company to continue as a going concern for the next 12 months. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations and current liabilities. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. The ultimate impact of these matters to the Company and its consolidated financial condition is presently unknown.

A summary of the Company's significant accounting policies is as follows:

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Reclassification

Beginning with the year ended December 31, 2021, the Company reclassified certain operating expenses within the consolidated statements of operations. Prior-period amounts were revised to conform with the current presentation. These changes have no impact on the Company's previously reported consolidated net income (loss) for prior periods, including total operating expenses, financial position, or cash flows for the interim periods prior this date.

The Company reclassed expenses out of Salaries and benefits into General and administrative, Technology and development, and Sales and marketing.

The following table presents the impact of the reclassification on the presentation of these operating expenses to the previously reported consolidated statements of operations for the three and nine months ended September 30, 2021:

	For the three months ended September 30, 2021		
	As Previously Reported	**Adjustments**	**Reclassified**
Salaries and benefits	$ 718,000 8	$ (718,000)	$ –
Technology and development	–	110,000	110,000
General and administrative	860,000	501,000	1,361,000
Sales and marketing	37,000	107,000	144,000
Total operating expenses	$ 1,615,000	$ –	$ 1,615,000

	For the nine months ended September 30, 2021		
	As Previously Reported	**Adjustments**	**Reclassified**
Salaries and benefits	$ 1,855,000	$ (1,855,000)	$ –
Technology and development	–	163,000	163,000
General and administrative	1,378,000	1,419,000	2,797,000
Sales and marketing	54,000	273,000	327,000
Total operating expenses	$ 3,287,000	$ –	$ 3,287,000

Use of Estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management are used for, but not limited to, the useful lives of property and equipment; valuation of derivatives and stock options; and impairment assessment for goodwill and long-lived assets. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Revenue Recognition

The Company derives its revenues primarily from three sources: (i) point of time transactions of crypto assets at Athena Bitcoin branded ATMs, (ii) sales of crypto assets via our OTC services and (iii) white-label service fees. Revenues are recognized at the point of time when the performance obligations related to those services and transaction are satisfied, and in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, 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, we satisfy a performance obligation.

For revenues derived from (i) point of time transactions of crypto assets at Athena Bitcoin branded ATMs and (ii) sales of crypto assets via our OTC services, we present crypto asset sales revenue and corresponding crypto asset sales cost on a gross basis consistent with the revenue standard. We act as principal (vs. agent) in transactions at our Athena Bitcoin branded ATMs and our OTC desk, which requires gross treatment for revenue and for corresponding costs. Through our Athena Bitcoin ATM machines, we buy and sell various Crypto assets as described below at an offer price that changes according to the prevailing market wide price of that crypto asset. We control all aspects of the transaction done at our Athena ATMs and we record those transaction on a gross basis as we act as a principal in such sales. If we were considered agent, we would record the revenue net of corresponding crypto asset sales cost. As a principal, we have control over the crypto asset before it is transferred to the customer.

For revenues derived through (iii) white-label service fees, our White-Labeled ATMs, which we operate on behalf of service clients, we facilitate the buying and selling of various crypto assets at prices that change according to the prevailing price, but that are set by the service clients. In these transactions, the Company does not own or control the crypto assets. Therefore for this White-Labeled ATMs service we record transactions on a net basis as we act as an agent.

In cases of the sale of crypto assets where the company does not have control over the digital asset before it is transferred to the customer or in cases where the Company does not set prices and a third party is involved in the performance of the transaction, the company acts as an agent. Our, now shutdown, service BitQuick facilitated the peer-to-peer exchange of Bitcoin for a service fee. In BitQuick revenue is recognized on a net basis and only our fees are recorded as Revenue. Through this now discontinued BitQuick platform, we connected sellers of crypto assets with buyers of crypto assets. We facilitated the transaction and communication between the seller and buyer, but did not have custody, control, or ownership of the crypto asset.

The Company accounts for its crypto assets as indefinite-lived intangible assets in accordance with ASC 350, *Intangible—Goodwill and Other*. When we derecognize a crypto asset, which was previously owned and controlled by the Company, such as in a sale transaction, our policy is to account for it within the scope of ASC 606, *Revenue from Contracts with Customers*.

ASC 350-10-40-1 provides guidance on the derecognition of intangible assets and states that an entity shall account for the derecognition of a nonfinancial asset, including an in substance nonfinancial asset, within the scope of Topic 350 in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, unless a scope exception from Subtopic 610-20 applies. Our conclusion is that the scope exception does apply to these transactions as outlined below and therefore the Company should account for these transactions within the scope of ASC 606.

We consider a counterparty in a crypto asset sale transaction to be our customer. We use the ASC definition of customer—a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. The sale of crypto assets is part of the Company's ordinary activities and therefore any counterparty that has contracted with the company to obtain a crypto asset in exchange for consideration is a customer for the purposes of revenue recognition.

ASC 350-10-40-3 provides guidance on the criteria for evaluation of the contract in a transfer of a nonfinancial asset specifically the nature of the contract required to derecognize the nonfinancial asset. ASC 606-10-25-1 contains five such criteria to evaluate the contract. We have evaluated all of our methods of selling crypto assets and have determined that all five criteria are met in the sale of crypto assets to a customer. Specifically, we have a contract approved by both parties, the ownership rights of the digital assets to be transferred are clear, payment terms are clear, there is clear commercial substance, and there is clear evidence that the Company will collect payment.

We apply the guidance of ASC 610-20-15-4(a) excluding transfers of non-financial assets in a contract with a customer from the scope of ASC 610. We have established a clearly identifiable customer and a contract to deliver a crypto asset to that customer. The guidance further states that such excluded transactions should be accounted for within the scope of ASC 606. Our analysis of the nature of the customer relationship and the contract leads us to the conclusion that this scope exception applies and therefore we apply the guidance of ASC 606 to account for the derecognition of a crypto asset.

When the Company facilitates the sale of a crypto asset that it does not own or control, we do not account for the sale on a gross basis, instead we account for the service offered to the seller of the crypto asset on a net basis. In making this agent vs. principal determination we evaluate if the Company has ownership, custody, or control. In our analysis of those rights, we have concluded that the Company does not own, control or custody the crypto assets. Specifically, the Company does not have custodial rights such as the ability to pledge the asset, hypothecate, or otherwise encumber the asset. The Company does not have the ownership rights to the future economic benefits from the crypto asset; it does not have discretion over pricing of the crypto asset; nor does the Company bear the price risk associated with ownership of the crypto asset. Therefore, the Company has concluded that in these circumstances it is acting as an agent of the seller and not as a principal.

When we sell a crypto asset as a principal that was accounted for as an indefinite-lived intangible asset, we have a single performance obligation, which is satisfied at the point in time when control of the crypto asset has transferred. When we facilitate the sale of a crypto asset for a services client, we may have one or more obligations to provide services to the seller of the crypto asset.

Our method of selling a crypto asset follows a step-by-step description of how we deliver these services. These steps are done sequentially, they are completed from start to finish in a matter of minutes or hours and are treated as point in time transactions with a single performance obligation by the Company. Further the crypto assets the Company sells are fungible and would have the same value to any other customer and client. During the performance of these steps, the Company does not create an asset with an alternative use or an asset that is unique to the customer. Finally, these transactions, where the Company acts as a principal in the sale of a crypto asset, do not create an Accounts Receivable or a prepayment. All transactions are settled same day.

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied. The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the service already provided. The Company's revenue associated with ATM and over the counter services are recognized at a point in time when the crypto asset is delivered to the customer. The Company controls the service as it is primarily responsible for fulfilling the service and has discretion in establishing pricing with its customers.

The Company also generates revenue from operating ATMs, POS terminals, and licensing of software on behalf of certain customers, typically under their brand, which we refer to as "white-label service". The Company's white-label ATM service is comprised of providing and maintaining ATMs to facilitate the exchange of crypto assets and cash, and vice-versa, by our customers with their counterparties. The Company does not control the service in this case as it is not responsible for fulfilling the exchange contract and does not establish pricing at these ATMs. This revenue is recognized on a net basis.

Cost of Revenues

Cost of revenues consists primarily of expenses related to the acquisition of crypto assets (including the costs to purchase crypto assets). The Company assigns the costs of crypto assets sold in its revenue transactions on a first-in, first-out basis.

Additionally, cost of revenues includes the costs of operating the ATMs from which some of the crypto assets are sold (including the associated rent expense, related incentives, ATM cash losses, software licensing fees for the ATMs, depreciation, insurance, and utilities) and fees paid to service the ATM machines and transport cash to the banks.

Cash and Cash Equivalents

For purposes of the Condensed Consolidated Statements of Cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash held for customers consists of money on hand received from white-label customers for replenishment of ATMs.

The Company maintains cash balances at various financial institutions. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation (FDIC). The Company has deposits in excess of the FDIC-insured limit. The Company has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable is stated at the amount the Company expects to collect. In 2021 the Company adopted ASC 326, *Financial Instruments - Credit Losses.* This methodology is referred to as the current expected credit loss (CECL) method and replaces the previous incurred loss methodology. The measurement of CECL applies to all financial assets measured at amortized cost, including receivables for revenue. The Company recognized no allowance for credit losses for September 30, 2022 and December 31, 2021 respectively utilizing the CECL methodology.

Concentration of Credit Risk

The Company's revenues, other than white-label services below, are generated primarily from ATM sales to customers located in the United States and Latin America. As the Company collects all amounts from these customers and holds $0 in accounts receivable from its ATM or over the counter customers, there is no credit risk associated with customer concentration for these customers.

The Company has revenues from white-label services in El Salvador and ancillary sales to customers where it provides services on customary credit terms, typically Net 30 or Net 60. As of September 30, 2022 and December 31, 2021, one customer, Ministerio de Hacienda (Department of Treasury) of El Salvador represents almost the entirety of our total accounts receivable balance.

No single customer is responsible for over 10% of revenue.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Equipment is depreciated over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives of improvements or the term of the related lease. Repairs and maintenance costs are expensed as incurred.

Following are the estimated useful lives:

Computer equipment	Three years
ATM equipment	Three years
Office equipment	Six years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

Goodwill

The Company conducts goodwill impairment testing in the fourth quarter of each year or whenever indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. If, after assessing the totality of events or circumstances, it is determined that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative impairment test is unnecessary and goodwill is considered to be unimpaired. However, if, based on the qualitative assessment, the Company concludes that it is more likely than not that the fair value of a reporting unit (generally based on discounted future cash flows) is less than its carrying amount, it will proceed with performing the quantitative assessment which is done by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the fair value, if any, not to exceed the total amount of goodwill.

Impairment of Long-Lived Assets

Acquired Intangible assets with a definite useful life are amortized over their estimated useful lives on a straight-line basis. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. Intangible assets assessed as having indefinite lives (such as crypto assets) are not amortized but are assessed for indicators that the useful life is no longer indefinite or for indicators of impairment each period.

The Company reviews its long-lived assets for impairment in accordance with FASB ASC 350-30-30-1 whenever events or changes in circumstances have indicated that an asset may not be recoverable. Management has determined that no impairment of long-lived assets existed as of September 30, 2022 and September 30, 2021 except for impairment of Digital Intangible Assets discussed below. Acquired intangible assets with a definite useful life are amortized over their estimated useful lives on a straight-line basis. Each period, the Company evaluates the estimated remaining useful life of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

Digital Intangible Assets

Under US GAAP, digital assets are accounted for as indefinite lived intangible assets, in accordance with ASC 350, *Intangibles—Goodwill*. These "Digital Intangible Assets" are a medium of exchange. The assets consist of coins or tokens that are built on a blockchain. The Company acquires digital intangible assets through cash purchases from customers and through trading activity with multiple brokers and exchanges. As intangible assets, the assets are initially recorded at cost and tested for impairment when evidence of impairment exists. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted price of the crypto asset at the time its fair value is being measured. The Company assigns cost to transactions on a first-in, first-out basis. Gains on such assets are not recorded or recognized until their final disposition. The impairment of digital intangible assets are recorded as Cost of revenues. For the period ended September 30, 2022 and September 30, 2021, the Company had impairment charges related to digital assets of $205,000 and $0, respectively which are included in the Cost of revenues.

Crypto Assets Held

Crypto assets (Digital Intangible Assets) are considered indefinite-lived intangible assets under ASC 350, *Intangibles—Goodwill* and are initially measured at cost and are not amortized. Accordingly, any decrease in their fair values below our carrying values for such assets at any time subsequent to their acquisition will require us to recognize impairment charges. We may make no upward revisions for any market price increases until a sale or transaction occurs. The Company classifies crypto assets held as non-current assets in the consolidated balance sheets. These assets are held solely for operating purposes and the Company in the normal course of its operations converts crypto assets held to cash frequently. The Company assigns costs to transactions on a first-in, first-out basis.

The Company includes in Crypto assets held on its Balance Sheet an asset representing the market value of the Bitcoin held for delivery to buyers on the BitQuick platform and a corresponding liability. On March 31, 2022, the SEC's staff in the Division of Corporation Finance and the Office of the Chief Accountant released Staff Accounting Bulletin (SAB) 121 relating to the accounting for obligations to safeguard crypto assets when an entity holds such crypto assets for platform users. The SEC's staff has also released guidance in Topic 5:FF regarding the accounting treatment of obligations to safeguard crypto assets. The Company has adopted this guidance for the presentation of its financial statements for the period ending September 30, 2022. There was no material effect in adopting this guidance.

Expenses Paid in Crypto Assets

The Company considers the guidance in ASC 350, ASC 606, ASC 610, and ASC 845 when it evaluates the derecognition of its digital assets paid to vendors in lieu of cash payments. In these transactions, we have been invoiced by a vendor and given the option to pay in USD or crypto assets, typically Bitcoin. The amount of Bitcoin is determined by the market wide and easily determined price in accordance with the guidance of ASC 820, *Fair Value Measurement*. The Company records as an expense the USD value of the invoice and then considers the above references to determine the proper way to derecognize the intangible long-lived asset used as payment.

We consider the scoping exceptions for each of those topics and conclude that that the scope of 610-20 most closely matched the facts of the transactions. ASC 610-20-15-2 states "nonfinancial assets within the scope of this Subtopic include intangible assets," which is how the company treats crypto assets.

We evaluated two possibilities to exclude these transactions from the scope ASC 845. The relevant exceptions to the scope of that Topic are as follows:

1. The transfer of goods or services in a contract with a customer within the scope of ASC Topic 606 in exchange for noncash consideration (ASC 845-10-15-4(j))
2. The transfer of a nonfinancial asset within the scope of ASC Topic 610-20 in exchange for noncash consideration (ASC 845-10-15-4(k))

For these transactions, our usage of the crypto asset is as a payment instrument to a vendor, therefore our interpretation of (1) above is for ASC 606 not to apply. We interpret (2) above to apply when the Company pays a vendor (who is not a customer) with a crypto asset (nonfinancial asset) in lieu of paying that same vendor with fiat currency (USD). Therefore, we account for the derecognition of the digital asset, in these transactions, under the guidance of ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets*. This is the same guidance as in ASC 350-10-40-1, *Transfer or Sale of Intangible Assets*.

ASC 610-20-15-2 explicitly states the scope to include intangible assets. We treat crypto assets as intangible assets. We then apply the general principle of ASC 610-32-2 for recognizing the gain or loss for the difference between the amount of goods or services we receive (fair market value, per ASC 820 Level 2) and the cost of acquiring the digital asset.

We record invoices from vendors in the appropriate expense category, in the correct time period in which services were provided, in USD and for vendors who elect to be paid in crypto assets, we transfer the crypto assets at market value at the time of transfer in line with ASC 820 – *Fair Value Measurement*. We then recognize as a gain or loss, the difference between the cost of acquiring the crypto asset and its value at the time of transfer to Other Income (loss.)

Crypto Asset Borrowings

The Company enters into agreements with counterparties to borrow digital intangible assets. The Company recognizes the digital intangible assets borrowed at fair value on the date the asset is received and records a corresponding liability measured at fair value on the date the digital assets are received. The digital intangible assets received from borrowing transactions are accounted for as indefinite lived intangible assets under ASC 350 and are included within Related party crypto asset borrowings on the accompanying consolidated balance sheet. The loans are accounted for as hybrid instruments, with a liability host contract that contains an embedded derivative based on the changes in the fair value of the underlying crypto asset. The host contract is not accounted for as a debt instrument because it is not a financial liability and is carried at the fair value of the assets acquired and reported in crypto asset borrowings in the consolidated balance sheets. The embedded derivative is accounted for at fair value, with changes in fair value recognized in other non-operating expenses in the consolidated statements of operations and comprehensive income. The embedded derivatives are included in crypto asset borrowings in the consolidated balance sheets. The term of these borrowings can either be for a fixed term of less than one year or can be open-ended and repayable at the option of the Company or the lender. These borrowings bear a fee payable by the Company to the lender, which is based on a percentage of the amount borrowed and is denominated in the related crypto asset borrowed. The borrowing fee is recognized on an accrual basis and is included in non-operating expenses as fees on borrowings in the consolidated statements of operations and comprehensive income.

Embedded Derivative related to Obligation to Return Digital Intangible Assets

Derivative contracts derive their value from underlying asset prices, other inputs or a combination of these factors. As a result of the Company entering into transactions to borrow (digital intangible assets) crypto assets, an embedded derivative is recognized relating to the differences between the fair value of the amount borrowed, which is recognized on the borrowing effective date, and the fair value of the amount that will ultimately be repaid, based on changes in the spot price of the (digital intangible assets) crypto asset over the term of the borrowing. This embedded derivative is accounted for as a forward contract to exchange at maturity the fixed amount of the crypto asset to be repaid. The embedded feature is evaluated as a derivative that is not clearly and closely related to the host contract and therefore, is separately recognized at fair value with unrealized changes in fair value recognized on the consolidated statement of operations under fair value adjustment on crypto asset borrowing derivatives in the consolidated statements of operations and comprehensive income. Further, the Company estimates the fair value of the derivative liability based on the closing price on an exchange and considers the fair value hierarchy of the derivative liability as level 2 under ASC 820.

Accumulated Other Comprehensive Income

Unrealized gains and losses related to foreign currency translation are accumulated in "Accumulated other comprehensive loss" ("AOCI"). These changes are also reported in "Other comprehensive income (loss)" on the Condensed Consolidated Statements of Comprehensive Income.

Foreign Currency Translation

The functional currency of our wholly owned subsidiaries is the currency of the primary economic environment in which the Company operates. Assets and liabilities denominated in currencies other than the functional currency are remeasured using the current exchange rate for monetary accounts and historical exchange rates for nonmonetary accounts, with exchange differences on remeasurement included in comprehensive income in our Condensed Consolidated Statements of Comprehensive Income.

Our foreign subsidiaries that utilize foreign currency as their functional currency translate such currency into U.S. dollars using (i) the exchange rate on the balance sheet dates for assets and liabilities, (ii) the average exchange rates prevailing during the period for revenues and expenses, and (iii) historical exchange rates for equity. Any translation adjustments resulting from this process are shown separately as a component of accumulated other comprehensive loss within shareholders' deficit in the Condensed Consolidated Balance Sheets.

Stock-Based Compensation Expense

The Company accounts for stock-based compensation according to the provisions of ASC 718, *Stock Compensation*, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors, including employee stock options and non-vested stock awards, based on the fair values on the dates they are granted. The Company records the fair value of awards expected to vest as compensation expense on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

The Company uses the Black-Scholes option pricing model for determining the estimated fair value for stock-based awards. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of stock-based awards, including the options expected term, expected volatility of the underlying stock, risk-free rate, and expected dividends. The expected volatility is based on the average historical volatility of certain comparable publicly traded companies within the Company's industry. The expected term assumptions are based on the simplified method, due to insufficient historical exercise data and the limited period of time that the Company's equity securities have been available for issuance. The risk-free interest rates are based on the U.S. Treasury yield in effect at the time of grant. The Company does not expect to pay dividends on common stock in the foreseeable future; therefore, it estimated the dividend yield to be 0%.

Technology and Development

Technology and development include non-capitalized costs incurred in operating, maintaining the Company's network, website hosting, and technology infrastructure.

Sales and Marketing

The Company expenses Sales and marketing expense when they are incurred.

Treasury Stock

Treasury stock purchases are accounted for under the cost method, whereby the entire cost of the acquired stock is recorded as treasury stock. Upon retirement of treasury shares, amounts in excess of par are value are charged to accumulated deficit.

Warrants to Purchase Common Shares

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in the ASC 480 and ASC 815, Derivatives and Hedging ("ASC 815"). Management's assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period-end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, they are recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, they are recorded at their initial fair value on the date of issuance and subject to remeasurement each balance sheet date with changes in the estimated fair value of the warrants to be recognized as a non-cash gain or loss in the statement of operations.

Income taxes

Income taxes are accounted for under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Balance Sheet in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The likelihood that its deferred tax assets will be recovered from future taxable income must be assessed and, to the extent that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance in a period are recorded through the income tax provision in the condensed consolidated Statements of Operations.

The Company adopted ASC 740-10-30 on January 1, 2020. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's condensed consolidated financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As a result of the implementation of ASC 740-10, the Company does not have a liability for unrecognized income tax benefits.

Segment reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (the "CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is the Company's CODM. The CODM reviews financial information presented on a global condensed consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. While the Company does have revenue from multiple products and geographies, no measures of profitability by product or geography are available, so discrete financial information is not available for each such component. As such, the Company has determined that it operates as one operating segment and one reportable segment.

Earnings (Loss) per share

Basic Earnings (loss) per share is calculated by dividing net loss by the number of weighted average common shares outstanding for the applicable period. Diluted Earnings (loss) per share is calculated by dividing net loss available to common shareholders by the weighted average shares outstanding. Potentially dilutive shares, which are based on the weighted average shares of common stock underlying outstanding stock-based awards, warrants and convertible senior notes using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted net income per share of common stock attributable to common stockholders when their effect is dilutive. For the nine months ended September 30, 2022 and 2021, there were 265,200,00 and 260,416.667 potential common shares, respectively, related to the Company's convertible debt which were excluded from the earnings per share calculation because the effect would have been anti-dilutive.

Recently Adopted Accounting Pronouncements

On March 31, 2022, the SEC issued Staff Accounting Bulletin No. 121 ("SAB 121"). SAB 121 sets out interpretive guidance from the staff of the SEC regarding the accounting for obligations to safeguard crypto assets that an entity holds for its platform users. The guidance requires an entity to recognize a liability for the obligation to safeguard the users' assets, and recognize an associated asset for the crypto assets held for users. Both the liability and asset should be measured initially and subsequently at the fair value of the crypto assets being safeguarded. The guidance also requires additional disclosures related to the nature and amount of crypto assets that the entity is responsible for holding for its platform users, with separate disclosure for each significant crypto asset, and the vulnerabilities the entity has due to any concentration in such activities. The guidance in SAB 121 is effective for interim or annual periods ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year to which the interim or annual period relates. For financial statements, the SAB 121 requires companies to include clear disclosure of the nature and amount of crypto-assets a company is responsible for holding for its platform users, with separate disclosure for each material crypto-asset, and the vulnerabilities of a business as a result of any concentration in those activities. Because crypto-asset protection liabilities and corresponding assets are measured at the fair value of the crypto-assets held for users of its platform, the Company is required to include information about fair value measurements. As of September 30, 2022, the Company safeguarded crypto assets related to its discontinued BitQuick operations (see Note 5).

If the Company engages in such business in the future, then it would make the required disclosures noted in SAB 121, including disclosures regarding the party holding cryptographic key information, internal record keeping and responsibility for safeguarding the assets from loss or flight, disclosures describing the types of additional losses and liabilities that may arise, discussion of the legal ownership analysis of crypto-assets and disclosure of the potential impact that destruction, loss, theft, compromise or unavailability of cryptographic key information would have on ongoing business, financial condition, results of operations and cash flows of the business. The Company will continue to review requirements and expects to continue to comply with SAB 121 accounting, reporting and disclosure guidelines in its required filings.

2. Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. Under the FASB's authoritative guidance on fair value measurements, fair value is 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. In determining fair value, the Company uses various methods, including the market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

The Company has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models, and periodic re-assessments of models to ensure that they are continuing to perform as designed. The Company performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed, and any material exposures are escalated through a management review process.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. To the extent that the valuation method is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised in determining fair value is greatest for the financial instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

During the period ended September 30, 2022, there were no changes to the Company's valuation techniques that had, or are expected to have, a material impact on its Condensed Consolidated Financial Statements.

As of September 30, 2022, and December 31, 2021, the fair value of the crypto asset borrowing derivatives (as determined by Level 2 fair value measurements) was $0. The carrying value of the host contract as of September 30, 2022, and December 31, 2021, was $0.

The Company did not make any transfers between the levels of the fair value hierarchy during the period ended September 30, 2022, and December 31, 2021.

Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis (such as goodwill, property and equipment, and crypto assets held); that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). For the nine months ended September 30, 2022, and September 30, 2021, the Company had impairment charges of $205,000 and $0, respectively which are included in Cost of revenues.

3. Revenue

The table below presents revenue of the Company disaggregated by revenue source for the following periods.

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(in thousands)		
Athena ATMs	$ 9,623	$ 14,404	$ 35,612	$ 47,872
Over-the-counter	1,833	3,703	13,398	13,710
White label	2,574	1,278	4,672	1,278
Ancillary	–	88	–	88
BitQuick, and other	19	5	68	39
	$ 14,049	$ 19,478	$ 53,750	$ 62,987

Athena ATMs revenue represents sales of crypto assets to customers at the Company's ATMs. The Company's service is comprised of a single performance obligation to provide crypto assets to our customers at the ATMs and is responsible for fulfilling the exchange contract and establishes pricing at these ATMs. This revenue is recognized on a gross basis.

Over-the-counter revenue represents sales of crypto assets to private client, trade customers at the Company's over the counter (OTC) desk and sales of crypto assets on digital asset exchanges. Customers typically interact with the Company on the phone and in larger amounts and/or for a less well-known crypto asset. The Company's service is comprised of a single performance obligation to provide crypto assets to our customers and revenue is recognized on a gross basis.

White-label revenue represents revenue from operating ATMs and POS terminals on behalf of certain customers, typically under their brand, which we refer to as our "white-label service". The Company's service is comprised of maintaining ATMs and POS terminals to facilitate the exchange of crypto assets by our customers with their counterparties.

For the nine months ended September 30, 2022, white-label services for ATMs machines were provided only to the government of Salvador and is recognized for the flat-monthly service fees collected per agreement and, when applicable, for the per-transaction fees recorded on a net-basis and not on the gross-amounts transacted at the ATMs.

Ancillary revenue represents revenue from sales of equipment such as POS terminals, sales of software and corresponding intellectual property, as well as software maintenance fees. This revenue is recognized on a gross basis.

BitQuick revenue represents the fees calculated as a percentage of the purchase value for facilitating a peer-to-peer exchange transaction between sellers and buyers that utilize this channel; revenue is recognized on a net basis.

Revenue disaggregated by geography based on sales location for the period below are as follows.

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(in thousands)			
Revenue				
United States	$ 12,999	$ 17,607	$ 46,448	$ 60,455
El Salvador	957	1,744	7,040	1,947
International	93	127	262	585
	$ 14,049	$ 19,478	$ 53,750	$ 62,987

Contracts with government of El Salvador

In the third quarter of 2021, the Company installed and began operating 200 white-labeled Bitcoin ATMs in El Salvador, 10 white-labeled Bitcoin ATMs at El Salvador consulates in the U.S., 45 white-labeled Bitcoin ATMs in other U.S. locations and sold 950 point-of-sale (POS) terminals for local businesses in El Salvador to process transactions with Bitcoin to Ministerio de Hacienda (Department of Treasury) of El Salvador ("GOES"). Additionally, we will also sell intellectual property in software, develop, and maintain a Bitcoin platform designed to support a GOES branded digital wallet. As of September 30, 2022 and December 31, 2021, advances for revenue contracts of $5,742,000 and $3,500,000, respectively presented in current liabilities, represents amounts invoiced for intellectual property in software pending transfer of control to GOES.

From time to time, the Company receives money from GOES to facilitate replenishment of cash in the ATMs that we provide and operate for them. As of September 30 2022 and December 31, 2021, the cash received as advances from GOES was $935,000 and $3,647,000 respectively, and was presented as part of Liability for cash held for customers on the Condensed Consolidated Balance Sheet with a related Restricted cash held for customers recorded as current assets.

4. Accounts Receivable

Accounts receivable consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(in thousands)	
White-label fee receivable	$ 520	$ 979
Ancillary fee receivable	496	496
Others	67	56
	$ 1,083	$ 1,531

5. Crypto Assets Held

Crypto assets are considered indefinite-lived intangible assets under applicable accounting rules and are initially measured at cost and are not amortized. Accordingly, any decrease in their fair values below our carrying values for such assets at any time subsequent to their acquisition will require us to recognize impairment charges, whereas we may make no upward revisions for any market price increases until a sale. The Company classifies crypto assets held as non-current assets in the Condensed Consolidated Balance Sheets, but these assets are held mainly for operating purposes; these balances turnover frequently, and the Company anticipates converting crypto assets held at any point to cash within a year. The Company assigns costs to transactions on a first-in, first-out basis.

Crypto assets held include Bitcoin safeguarded by the Company pending delivery to BitQuick customers. An equivalent amount is included in the other current liabilities as amounts owed to customers in the Condensed Consolidated Balance Sheets; as of September 30, 2022 and December 31, 2021, 4 Bitcoin with a fair market value of $69,000 as of September 30, 2022 and 8 Bitcoin with a fair market value of $388,000 as of December 31, 2021.

The Company held the following crypto assets as of September 30, 2022 and December 31, 2021.

	September 30, 2022			December 31, 2021		
	Qty [(1)]	Average Rate	Amount (thousands)	Qty [(1)]	Average Rate	Amount (thousands)
Bitcoin	13	$ 19,432	$ 251	17	$ 46,327	$ 796
Litecoin	155	53	8	192	147	28
Ethereum	7	1,328	9	5	3,002	15
Bitcoin Cash	40	102	5	6	431	3
Tether	265,744	1	271	–	–	–
			$ 544			$ 842

[(1)] Rounded off to the nearest whole number

The table below shows the roll-forward of quantity and costs (in thousands of dollars) of various crypto assets traded by the Company.

	Bitcoin		All Others [2]
	Qty	Cost	Cost
Twelve months ended			
January 1, 2021	44	$ 1,299	$ 44
Purchases	1,551	72,457	2,516
Cost of sales	(1,464)	(67,230)	(2,510)
Theft [3]	(29)	(1,600)	–
Crypto assets used for expenses	(35)	(2,048)	–
Crypto assets used for other advances	(2)	(115)	–
Crypto assets used for capital expenditure	(12)	(476)	–
Crypto assets borrowed repaid	(31)	(1,396)	–
Fees on crypto borrowings paid	(3)	(130)	–
Impairment	–	(40)	(4)
Change in bitcoin held on behalf of BitQuick sellers	(2)	75	–
December 31, 2021 [1]	17	$ 796	$ 46
Nine months ended			
January 1, 2022	17	$ 796	$ 46
Purchases	1,306	37,158	5,535
Cost of sales	(1,225)	(35,069)	(5,208)
Crypto assets used for expenses	(78)	(2,264)	–
Crypto assets used for capital expenditure	(3)	(121)	–
Impairment	–	(125)	(80)
Change in bitcoin held on behalf of BitQuick sellers	(4)	(124)	–
September 30, 2022 [1]	13	$ 251	$ 293

[2] All others include Bitcoin Cash, Bitcoin SV, Ethereum, Litecoin, and Tether.

[3] On March 31, 2021, the Company experienced a breach in its security that resulting in a two-hour sales outage and a loss of 29 Bitcoin with a purchase cost of $1,600,000 (approximate market value $1,709,000). The associated loss is recorded as theft of bitcoin in the Condensed Consolidated Statements of Comprehensive Income.

6. Property and Equipment

Property and equipment consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(in thousands)	
ATM Equipment	$ 4,904	$ 4,219
Computer equipment	112	118
Office equipment	24	27
	5,040	4,364
Less accumulated depreciation	2,483	1,461
	$ 2,557	$ 2,903

Depreciation expense for the three months ended September 30, 2022 and 2021 was $341,000 and $135,000 respectively. Depreciation expense for the nine months ended September 30, 2022 and 2021 was $1,022,000 and $331,000 respectively

The table below presents property and equipment, net by geography.

	September 30, 2022	December 31, 2021
	(in thousands)	
United States	$ 1,337	$ 1,336
El Salvador	1,220	1,565
International	–	2
	$ 2,557	$ 2,903

7. Operating Leases

Lease liabilities as of consist of the following:

	September 30, 2022	December 31, 2021
	(in thousands)	
Current portion of lease liabilities	$ 795	$ 624
Long term lease liabilities, net of current portion	2,102	1,694
Total lease liabilities	$ 2,897	$ 2,318

The Company classifies its facilities it right of use arrangements for ATM retail spaces under operating leases. The Company does not have any significant arrangements where it is the lessor. The Company does not separate lease and non-lease components for arrangements where the Company is a lessee. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. The Company determines if an arrangement contains a lease at inception. Operating lease expense is recognized on a straight-line basis over the lease term.

Operating lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. For purposes of calculating operating lease obligations under the standard, the Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. The Company's leases do not contain material residual value guarantees or material restrictive covenants. The discount rate used to measure a lease obligation should be the rate implicit in the lease; however, the Company's operating leases generally do not provide an implicit rate. Accordingly, the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate is an entity-specific rate which represents the rate of interest a lessee would pay to borrow on a collateralized basis over a similar term with similar payments. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease.

The operating lease asset also includes any initial direct costs and lease payments made prior to lease commencement and excludes lease incentives incurred.

8. Prepaid Expenses and Other Assets

Prepaid expenses and other current assets, and Other noncurrent assets consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(in thousands)	
Prepaid expenses and other current assets:		
Prepaid expense	$ 588	$ 369
Prepaid foreign taxes	173	116
Supplier advances	428	210
Others	17	32
	$ 1,206	$ 727
Other noncurrent assets:		
Capitalized software & development	$ 2,081	$ 905
Others	55	85
	$ 2,136	$ 990

9. Accounts Payable, Accrued Expenses and Other liabilities

Accounts payable and accrued expenses, and Other current liabilities consist of the following as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	(in thousands)	
Accounts payable and accrued expenses:		
Accounts payable	$ 3,660	$ 619
Accrued expenses	132	291
Interest payable	79	134
	$ 3,871	$ 1,044
Other current liabilities:		
Payroll liabilities	$ 47	$ 51
Funds owed to BitQuick customers	69	256
Foreign local taxes payable	277	123
Uncertain tax position	104	173
Other payable	28	12
	$ 525	$ 615

10. Derivatives

On August 22, 2018, the Company entered into a borrowing agreement with one of the Company's former directors and principal shareholder, Mr. Mike Komaransky, for restocking bitcoin and increasing working capital. Under this agreement, the Company borrowed 30 Bitcoin, at fair value, initially due on August 22, 2019. The borrowing fee as defined in the agreement, is 13.5% of the outstanding principal and was payable in bitcoin.

In November 2018, the Company entered into another agreement with Mr. Komaransky. This agreement provides for up to four additional borrowings at 50 bitcoin increments with an initial term of 90 days for each loan. Fees for these borrowings is the greater of 10% of the outstanding principal or 0.4% of total ATM sales. The Company borrowed 50 bitcoin under this agreement in November 2018 and an additional 50 bitcoin in March 2019. The Company repaid these bitcoin borrowings in the year ended December 31, 2020. These transactions have been recorded at fair value in the Company's books.

On July 12, 2021, the Company signed a borrowing restructuring agreement for the remaining outstanding bitcoin balance as of that date. Under the agreement Mr. Komaransky agreed to extend the maturity for the entire amount of loan to May 31, 2022. Further, the company agreed to pay accelerated weekly payments of $35,000 in equivalent Bitcoin. During 2021, the Company made all required payments as well as additional repayments. As of December 31, 2021, the borrowings have been repaid and no obligations remain.

The table below presents the roll-forward of the bitcoin borrowings.

	September 30, 2022		December 31, 2021	
	Bitcoin (No)	Fair value (USD)	Bitcoin (No)	Fair value (USD)
		(in thousands)		
Bitcoin borrowings:				
Beginning fair value balance bitcoins borrowings	–	$ –	30	$ 881
New borrowings	–	–	–	–
Repayments	–	–	(30)	(1,396)
Fair value adjustment on crypto asset borrowing derivatives:				
Nine months ended September 30	–	–	–	378
Three months ended December 31	–	–	–	137
	–	–	–	515
Ending fair value balance bitcoins borrowings	–	$ –	–	$ –
Ending fair value consists of:				
Carrying value of outstanding host contract	–	$ –	–	$ –
Fair value of the embedded derivative liability	–	–	–	–
Total	–	$ –	–	$ –

11. Debt

In 2017, the Company entered into several subordinated note agreements with shareholders of the Company's common stock. The notes had a principal amount of $117,000 with maturity dates in 2021 and 2022. Interest as defined in the notes is 12% per annum. As of September 30, 2022, and December 31, 2021, the outstanding principal was $90,000.

On May 30, 2017, the Company entered into a senior note agreement with Consolidated Trading Futures, LLC. The note provided for a principal amount of $1,490,000 secured against the Company's cash in machines and held by service providers. Interest as defined in the note as 15% per annum with an original maturity date of May 31, 2022. During the second quarter of 2022, the maturity date was extended to May 31, 2023 pursuant to a joint agreement. The Company agreed to make a one-time payment in the amount of $200,000 and weekly payments in the amount of $25,000 towards the reduction of the principal amount of the loan. As of September 30, 2022, and December 31, 2021, the outstanding principal was $890,000 and $1,490,000, respectively.

On August 1, 2018, the Company entered into a promissory note with LoanMe, Inc. The promissory note provided for a principal amount of $100,000, with a final maturity date of August 1, 2028, with equal monthly installment payments of $2,000. Interest as defined in the promissory note is 24% per annum. As of September 30, 2022, and December 31, 2021, the outstanding principal was $81,000 and $88,000, respectively.

On October 22, 2018, the Company entered into a promissory note with Swingbridge Crypto I, LLC. The promissory note provided for an aggregate of $500,000 in principal with a maturity date of May 30, 2019. Interest as defined in the promissory note is simple interest equal to 8% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 15% per annum, compounded annually from and after the maturity date.

On May 21, 2019, the Company entered into a promissory note with Swingbridge Crypto II, LLC. The promissory note provided for an aggregate of $300,000 in principal with a maturity date of August 21, 2019. Interest as defined in the promissory note is simple interest equal to 30% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 40% per annum, compounded annually from and after the maturity date.

On July 26, 2019, the Company entered into a promissory note with Swingbridge Crypto III, LLC. The promissory note provided for an aggregate of $1,000,000 in principal with a maturity date of July 26, 2020. Interest as defined in the promissory note is simple interest equal to 40% per annum. In the case the note is still outstanding beyond the maturity date, interest shall be calculated as 50% per annum, compounded annually from and after the maturity date.

In connection with the recapitalization of the Company on January 31, 2020, these three Swingbridge notes were exchanged for 419,078,082 shares of the Company's common stock.

On November 21, 2019, the Company entered into a promissory note with DV Chain, LLC to convert outstanding borrowing of 250 bitcoin and unpaid fee on borrowings into debt denominated in US dollars. The promissory note provided for a principal amount of $1,951,000 with a maturity date of May 1, 2021. Interest as defined in the promissory note is 15% per annum. On August 16, 2020, the Company entered into an agreement with DV Chain, LLC, whereby the Company repurchased 30,422,825 common shares held by DV Chain, LLC at a price of $0.00388 and agreed to make accelerated payments of $25,000 per week on the promissory note until the maturity date of May 1, 2021. As of September 30, 2022, and December 31, 2021, there is no outstanding principal.

On September 22, 2021, the Company entered into a borrowing arrangement with Banco Hipotecario secured against the Company's assets in El Salvador. The promissory note provided for a principal amount of $1,500,000, with a final maturity date of 36 months after disbursal with equal monthly installment payments of $49,108 with a moratorium of 2 months. Interest as defined in the loan arrangement is 7.5% per annum. As of September 30, 2022, and December 31, 2021, the outstanding principal was $1,156,000 and $1,500,000, respectively.

On December 12, 2021, the Company entered into a financing agreement for $75,000 with Capital Premium Financing, Inc. to pay the insurance premium on its commercial liability insurance with an annual percentage rate of 15.28% per annum repayable in nine monthly installments beginning February 1, 2022. As of September 30, 2022, and December 31, 2021, the outstanding principal was $9,000 and $75,000, respectively.

On August 4, 2022, the Company completed a lending transaction with Mike Komaransky, the Company's principal shareholder and former director, whereby the Company borrowed $500,000 from Mr. Komaransky pursuant to the terms of a secured promissory note and security agreement. The promissory note has an 6.0% interest rate payable monthly and a single lump sum payment of principal at the earlier of a) thirty (30) calendar days from the agreement date or b) at the time of a qualified financing event upon which the noteholder is required to surrender the note (including any accrued interest thereon) in exchange for the qualified securities issued in accordance with the qualified financing, as defined in the promissory note. This note is in process of extension as outlined in Note 27 – Subsequent Events.

For Debt and Convertible debt (see note 12) the principal payments due as of September 30, 2022 are as follows (in thousands):

2022	$	545
2023		3,091
2024		548
2025		3,012
2026		16
Thereafter		34
	$	7,246

Deferred financing costs are amortized using the effective interest method. Deferred financing for the three and nine months ended September 30, 2022 was $100 and $900 and $0 and $9,000 for the for the three and nine months ended September 30, 2021, respectively. Deferred financing costs had a carrying value of $0 on September 30, 2022 and $2,000 at December 31, 2021. These discounts are recorded as a reduction of debt on the Condensed Consolidated Balance Sheets.

12. Convertible debt

On January 31, 2020, the Company entered into a convertible debenture agreement with KGPLA LLC, an entity in which Mike Komaransky, a former director and principal shareholder of the Company has controlling interest. The convertible debenture provided for a principal amount of $3,000,000, with a maturity date of January 31, 2025. Interest as defined by the agreement is 8% per annum. KGPLA, LLC has the option to convert the outstanding principal and accrued interest balance into common stock of the Company at the lower of $0.012 per share or 20% discount to the next major financing or change in control. As of September 30, 2022 and December 31, 2021, the outstanding principal amount of the debenture was $3,000,000. In January 1, 2021, the Company early adopted ASU 2020-06 using the modified retrospective method. The adoption resulted in an increase of $890,000 and $37,000 to Related party convertible debt and Convertible debt, respectively, to reflect the full principal amount of the Convertible Notes outstanding, net of issuance costs.

On January 31, 2020, the Company entered into a convertible debenture agreement with Swingbridge Crypto III, LLC. The convertible debenture provided for a principal amount of $125,000, with a maturity date of January 31, 2025. Interest as defined by the agreement is 8% per annum. On August 26, 2021, Swingbridge Crypto III, LLC gave notice to convert the outstanding principal of $125,000 as per the terms of the debentures since the Company secured major financing consequent to issuance of 6% Convertible Debentures as described below. This amount is included in Shares to be issued in the Condensed Consolidated Statement of Shareholders' Deficit as at December 31, 2021. The Company issued 10,416,666 shares to convert the outstanding principal on February 18, 2022.

On June 22, 2021 the Company authorized the issuance and sale of up to $5,000,000 in aggregate principal amount of Convertible Debentures. The convertible promissory notes (i) are unsecured, (ii) bear interest at the rate of 6% per annum, and (iii) are due two years from the date of issuance. The convertible promissory notes are convertible at any time at the option of the investor into shares of the Company's common stock that is determined by dividing the amount to be converted by the lesser of (i) $0.10 per share or (ii) 25% less than the twenty trading day (20-trading day) volume weighted average price ("VWAP") of the Common Stock-based on the trades reported by the OTC Pink Market operated by the OTC Markets Group, Inc.

As of December 31, 2021, the Company received an amount of $4,985,000 toward subscription against this issue. In December 2021, certain debenture holders exercised their right and gave an irrevocable notice to convert $220,000 of the convertible debt. This amount is included in Shares to be issued in the Condensed Consolidated Statement of Shareholders' Deficit as of December 31, 2021. As of March 31, 2021 additional debenture holders exercised their right and gave an irrevocable notice to convert $3,245,000 of the convertible debt. The Company issued a total of 34,650,000,000 shares to convert the outstanding principal for the period ended March 31, 2022. The outstanding amount of the convertible debt is $1,520,000 on September 30, 2022 and $4,765,000 on December 31, 2021.

13. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities measured and recorded at fair value on a recurring basis (in thousands):

	September 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash and cash equivalents	$ 3,949	$ –	$ –	$ 3,949	$ 1,174	$ –	$ –	$ 1,174
Restricted cash – cash held for customers	976	–	–	976	3,671	–	–	3,671
Crypto assets held	–	69	–	69	–	842	–	842
	$ 4,925	$ 69	$ –	$ 4,994	$ 4,845	$ 842	$ –	$ 5,687
Liabilities								
Other current liabilities	–	69	–	69	–	–	–	–
	$ –	$ 69	$ –	$ 69	$ –	$ –	$ –	$ –

The Company did not make any transfers between the levels of the fair value hierarchy during the periods ended September 30, 2022 and December 31, 2021.

Non-recurring Assets and Liabilities Measured and Recorded at Fair Value

The Company's non-financial assets, such as goodwill, intangible assets, property and equipment, and crypto assets held are adjusted to fair value when an impairment charge is recognized. Such fair value measurements are based predominately on Level 3 inputs. Fair value of crypto assets held are predominantly based on Level 2 inputs.

14. Stock-Based Compensation

Stock Option Plan

The Company previously had a 2016 Equity Incentive Plan (the 2016 Plan) which was terminated in January 2020. As of September 30, 2022 and December 31, 2021, there were no options outstanding under the plan.

The Company's Board of Directors and majority shareholders approved the 2021 Equity Compensation Plan (the 2021 Plan) effective October 15, 2021. There are no securities authorized to be issued under the 2021 Plan and no securities have been issued as of the date of these financial statements.

15. Commitments and Contingencies

The Company, from time to time, might have claims against it incidental to the Company's business including but not limited to tax demands and penalties. While the outcome of any of these matters cannot be predicted with certainty, management does not believe that the outcome will have a material adverse effect on the accompanying Condensed Consolidated Financial Statements.

The Company entered into a non-binding Letter of Intent with Arley Lozano, a principal beneficial owner of Vakano Industries and XPay, both Colombian entities (collectively, “Xpay”), for the purchase and sale of certain assets of Xpay, primarily intellectual property assets, including the Xpay Wallet (the precursor to the Chivo Wallet) and Xpay POS software, to the Company. In September, 2021, Lozano and the Company entered into a letter of intent to acquire assets of Xpay which include certain technologies, ATMs, point-of-sale terminals in El Salvador, X-Pay POS system and other assets. The total purchase price is comprised of $3 million in cash and the issuance of 270 million of the Company’s shares of common stock (valued at $27 million at a $0.10 per share valuation at the time of agreement). The shares are subject to vesting over a three-year period based on the consulting services related to the management of Colombian operations to be provided by Mr. Lozano and additional five-year non-competition and non-solicitation clause. The shares shall vest on one-year cliffs and then linearly thereafter.

The definitive agreement for the purchase and sale of Xpay assets has not been executed yet, however, the Company paid an initial deposit of $780,000 to Xpay as a partial payment towards the purchase price of $3,000,000 for Xpay assets. The initial payment was accepted and agreed to by Xpay on September 9, 2021 in a written confirmation which included a specific list of assets to be acquired by the Company.

As of September 30, 2022 and December 31, 2021, the Company paid a total of $1,595,000 and $845,000, respectively towards the purchase price and is presented under Other Advances in the accompanying Condensed Consolidated Balance Sheets. The Company plans to use a combination of cash on hand, operating cash flows and borrowings to pay for the proposed acquisition. The Company expects the acquisition to be finalized in the fourth quarter of 2022. The Company will include these developments and conclusion in subsequent financial statements.

16. General and Administrative Expenses

General and administrative expenses consisted of the following.

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(in thousands)		
Salaries and benefits	$ 760	$ 637	$ 2,799	$ 1,617
General and administrative expenses	387	503	1,655	883
Travel	40	214	193	256
Rent	7	7	89	41
	$ 1,194	$ 1,361	$ 4,736	$ 2,797

17. Sales and Marketing

Sales and marketing expenses consisted of the following.

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
		(in thousands)		
Salaries and benefits	$ 97	$ 81	$ 303	$ 217
Advertising	31	63	157	101
Other selling and marketing	–	–	20	9
	$ 128	$ 144	$ 480	$ 327

18. SAFT

In 2018, the Company issued a series of instruments called “Simple Agreements for Future Tokens” (SAFTs) in exchange for investments in cash or crypto assets. The SAFTs entitled holders to receipt of tokens representing equity in the Company under certain pre-defined circumstances. These include a qualified financing event in which the Company raised $15 million or more in a single transaction, a “corporate transaction” (sale of all or substantially all of the Company’s assets), or a dissolution.

In January 2020, in connection with the Share Exchange transaction the SAFTs were converted into 1,653,425,404 shares of Athena Bitcoin, Inc. which were then exchanged for Athena Bitcoin Global common stock.

19. Employee Loans

In January 2020, the Company allowed its employees with vested stock options to exercise with the use of a non-recourse loan agreement. These loan agreements have a maturity date of 48 months from the date of exercise and carries an interest rate of 1.69%. As of September 30, 2022, and December 31, 2021, the outstanding balance due from employees was $988,000 and $977,000, respectively.

20. Warrants to Purchase Common Shares

In 2017 Athena Bitcoin, Inc., the wholly owned subsidiary of the Company, issued warrants to purchase 202,350 shares of Athena Bitcoin, Inc.'s common stock for $14,005. The warrants provide for a right to purchase common shares in Athena Bitcoin, Inc., priced at $2.00 to $3.00 per share, at an average exercise price of $2.49 per share. The warrants to purchase 202,350 shares of Athena Bitcoin, Inc. common stock remained outstanding on December 31, 2019 and were classified as equity. In January 2020, warrants to purchase 102,350 shares of Athena Bitcoin, Inc. common stock at an average exercise price of $2.00 per share were exercised, some of them in a cashless manner, against a lesser number of shares. As a result of the exercise of these warrants, the net issuance of Athena Bitcoin, Inc. common stock was 93,106 shares (exchanged into 115,888,490 shares of the Company's common stock on January 31, 2020).

The unexercised warrants to purchase 100,000 shares of Athena Bitcoin, Inc. common stock, at an exercise price of $3 per share, remain outstanding as of September 30, 2022. The warrant will expire on May 30, 2025. As of September 30, 2022 and December 31, 2021, there are 3,096,345 shares of Athena Bitcoin, Inc. issued and outstanding, all of which are held by the Company.

21. Related Party

Aside from the transactions discussed in other notes to these financial statements, the Company continues to carry a payables balance to Red Leaf Opportunities Fund LP, an entity in which a current director and the former Chief Executive Officer has a controlling interest through the General Partner, Red Leaf Advisors LLC, for previous purchases of crypto assets. The outstanding balance due to Red Leaf Opportunities Fund LP as of September 30, 2022 and December 31, 2021 was $407,000, and is recorded in Accounts payable, related party in the Condensed Consolidated Balance Sheets.

As of September 30, 2022 the company recorded as accounts payable $55,000 to Swift Trust LLC an entity in which the current Chief Executive Officer has controlling interest for cash logistics services rendered. This amount is recorded in Accounts payable, related party in the Condensed Consolidated Balance Sheets. During the three and nine months ended September 30, 2022 Company incurred cash logistics services payable to Swift Trust, LLC for a total of $166,000 and $412,000 respectively.

The Company entered into a service agreement with Swift Trust LLC in November 2017 to provide cash logistics services for the company's ATM operations in various states. Swift Trust LLC is responsible for restocking and removing cash from ATM machines and periodic ATM maintenance, installation and removal.

22. Fees on Borrowings

Fees on borrowings consisted of the following expense:

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(in thousands)			
Fees on crypto borrowings	$ –	$ 24	$ –	$ 113
Fees for virtual vault services	–	52	67	155
	$ –	$ 76	$ 67	$ 268

Virtual Vault is a term used in the Armored Car and Cash Transport industry to define a service provided by armored car services for assets considered property of the bank when the bank does not have a physical vault or location in a given state or location. The fees for virtual vault services included in our income statement are for a currency availability service provided to the Company by its bank for making funds held in a virtual vault immediately available to the Company. Neither the term nor the service is related to virtual currency or crypto assets.

23. Income Taxes

The Company's effective tax rate ("ETR") for the three months ended September 30, 2022 and 2021 was 85.00% and 32.00%, respectively. The Company's effective tax rate ("ETR") for the nine months ended September 30, 2022 and 2021 was 541.00% and 25.00%, respectively. The ETR for the three and nine months ended September 30, 2022 of 85.00% and 541.00% was higher than the U.S. statutory rate of 21.0% was due (i) primarily to foreign income tax expense (ii) income tax effect of local statutory rates, (iii) valuation allowance on domestic and foreign deferred tax assets, (iv) non-deductible interest expense on convertible debt and (v) non-deductible costs in El Salvador.

24. Net Earnings (Loss) Per Share

The computation of net earnings (loss) per share is as follows:

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	(in thousands, except per share amounts)			
Basic net earnings (loss) per share:				
Numerator				
Net income (loss)	$ 138	$ (544)	$ (1,611)	$ (775)
Denominator				
Weighted-average shares of common stock used to compute net earnings (loss) per share attributable to common stockholders, basic	4,083,081,524	4,050,726,482	4,083,081,524	4,050,726,482
Net earnings (loss) per share attributable to common stockholders, basic	$ 0.00003	$ (0.00013)	$ (0.00039)	$ (0.00019)

Diluted net earnings (loss) per share:				
Numerator				
Net income (loss), basic	$ 138	$ (544)	$ (1,611)	$ (775)
Add: Interest expense on convertible debt	92	–	–	–
Net income (loss), diluted	$ 230	$ (544)	$ (1,611)	$ (775)
Denominator				
Weighted-average shares of common stock used to compute net earnings (loss) per share attributable to common stockholders, basic	4,083,081,524	4,050,726,482	4,083,081,524	4,050,726,482
Weighted-average effect of potentially dilutive securities:				
Convertible Debt	265,200,001	–	–	–
Unexercised warrants	124,469,000	–	–	–
Weighted-average shares of common stock used to compute net earnings (loss) per share attributable to common stockholders, diluted	4,472,750,525	4,050,726,482	4,083,081,524	4,050,726,482
Net earnings (loss) per share attributable to common stockholders, diluted	$ 0.00005	$ (0.00013)	$ (0.00039)	$ (0.00019)

Potential common shares related to the Company’s convertible debt of 265,200,001 for the nine months ended September 30, 2022 and 260,416,667 for the three and nine months ended September 30, 2021 were excluded in the calculation of diluted shares outstanding as the effect would have been anti-dilutive.

25. Legal Proceedings

On September 8, 2022, Athena Bitcoin, Inc. (“Athena” or the “Company”) received from the Office of the Commissioner of Financial Institutions (“OCFI”), a “Final Resolution and Order to Cease and Desist” (“OC&D”), requiring to, among other matters, stop the operations and marketing of the bitcoin automated teller machines (“BTMs”), that were operating in Puerto Rico. On September 12, 2022, Athena filed a Complaint for Declaratory Judgment and Permanent Injunction, accompanied by a Petition for Preliminary Injunction before the Courts of the Commonwealth, Superior Part requesting that the determination and effects of the OC&D be stayed until final resolution of the case. On November 10, 2022, the Court dismissed the civil action with the interpretation that the controversy presented before it was not ripe for resolution by the Court. The Company will seek to have this determination reconsidered by the Superior Part. If the Superior Part affirms its previous determination, Athena plans to seek a reversal of such determination before the Court of Appeals of the Commonwealth accompanied by a Motion Requesting a Stay of the determination and effects of the OC&D.

Athena is also vigorously defending itself in the administrative proceedings before the OCFI of the OC&D and will seek remedies before the Court of Appeals of the Commonwealth of Puerto Rico when the final determination is issued by the OC&D.

Revenue from operations in Puerto Rico for the three months ended September 30, 2022 and 2021 was less than 3% and 7% of total revenue respectively and for the nine months ended September 30, 2022 and 2021 was less than 4% and 5% respectively.

26. Off-Balance Sheet Arrangements

In the normal course of business, the Company’s contract with the government of El Salvador for the operation of the Chivo branded ATMs obligates the Company to assume the risk of loss for funds used in the operation of the Chivo branded ATMs while those funds are in transit. The Company has contracted with licensed and insured cash logistics companies to securely transport these funds. The logistics companies’ insurance covers in full the value of the funds in transit however, in the event of a loss or destruction of the funds in transit, the Company could encounter a timing delay between insurance payment for lost funds and the date of actual loss. The amount of funds in transit varies based on multiple factors including but not limited to economic activity, seasonality, holiday and bank closure calendars. The amount of funds in transit as of September 30, 2022, and December 31, 2021, were $1,101,000 and $797,000.

27. Subsequent Events

The Company has evaluated subsequent events after the balance sheet date of September 30, 2022 through November 15, 2022 the date on which these Unaudited Condensed Consolidated Financial Statements were available to be issued.

On October 5, 2022, the Company completed contract negotiations with Chivo, Sociedad Anónima de Capital Variable, a wholly owned private company of the Government of El Salvador ("CHIVO") in which both parties signed a Master Services Agreement (MSA) and a Service Level Agreement (SLA) replacing the existing Master Services Agreement, Contracts and Athena Service Addendums 1 and 2 with the Department of Treasury of El Salvador with an effective date of July 1, 2022. The services, performance obligations, pricing and terms continue the services, performance obligations, pricing and terms outlined in the original Master Services Agreement, Contracts and Addendums through July 30, 2024, in line with the original MSA, Contracts and Addendums. In conjunction with the new MSA and SLA, the Company and CHIVO completed a financial settlement agreement to reconcile reporting, finalize balances owed between the parties and conclude the original MSA, Contracts and Addendums between the Company and the Department of Treasury of El Salvador.

On November 4, 2022, the Company terminated the Voting Agreement dated January 31, 2020 which had been entered into by and among Athena Bitcoin Global, Inc., (the “Company”) Eric Gravengaard (“Key Holder”) and KGPLA Holdings, LLC (the “Lead Investor”) in connection with the Lead Investor’s purchase of convertible debentures from the Company as of the same date. The parties terminated the Voting Agreement in its entirety following the resignation of Mr. Gravengaard as the CEO of the Company and appointment of the new CEO. In conjunction with the termination of the Voting Agreement, the Company approved and will file with the state of Nevada, its amended and restated Articles of Incorporation.

The Company signed a secured promissory note and security agreement with Mike Komaransky on August 4, 2022, the Company’s principal shareholder and former director, whereby the Company borrowed $500,000, secured by certain assets of the Company. The secured promissory note and security agreement has a 6.0% interest rate payable monthly and a single lump sum payment of principal at the earlier of a) thirty (30) calendar days from the agreement’s date or b) at the time of a qualified financing event upon which the noteholder is required to surrender the note (including any accrued interest thereon) in exchange for the qualified securities issued in accordance with the qualified financing, as defined in the promissory note. The Company is in the process of finalizing the amended terms to the promissory note and security agreement. The amended terms of the note will require $50,000 monthly payments beginning in November, remove some of the assets outlined in the security agreement and remove the requirement for the noteholder to surrender the note and accrued interest thereon in exchange for the qualified securities issued in accordance with the qualified financing as defined in the promissory note. The amendment to the note and security agreement is expected to be completed and executed by the parties by the end of November 2022.