

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2022

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 000-56142

Everything Blockchain, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-1091922

(I.R.S. Employer
Identification No.)

**12574 Flagler Center Blvd, Suite 101
Jacksonville, FL**

(Address of principal executive offices)

32258

(Zip Code)

(904) 454-2111

Registrant's telephone number, including area code

(Former name and address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated Filer

☐

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 30, 2022, the Company had 9,923,304 shares of common stock, \$0.0001 par value outstanding.

Transitional Small Business Disclosure Format Yes ☐ No ☒

Everything Blockchain, Inc.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (unaudited)	3
	Consolidated Balance Sheets	4
	Consolidated Statements of Operations	5
	Consolidated Statements of Stockholders' Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	19

Item 4.	Controls and Procedures	19
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	21
Item 1A.	Risk Factors	21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 3.	Defaults Upon Senior Securities	21
Item 4.	Mine Safety Disclosures	21
Item 5.	Other Information	21
Item 6.	Exhibits	22
SIGNATURES		
		23

[Table of Contents](#)

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim Consolidated Financial Statements and Notes to Interim Financial Statements

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three and nine months ended October 31, 2022, are not necessarily indicative of the results that can be expected for the year ending January 31, 2023 or any other reporting period. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on May 10, 2022 (the "Annual Report").

[Table of Contents](#)

Everything Blockchain, Inc.

Consolidated Balance Sheets

(Amounts in thousands, except share and per share data)

ASSETS		As of	
		October 31, 2022	January 31, 2022
		(unaudited)	
Current assets			
Cash	\$	882	\$ 1,062
Accounts receivable, net		222	11
Inventory		65	60
Current cryptocurrencies, net		5	3,152
Prepaid expenses		2,741	2,918
Other assets		113	36
Total current assets		4,028	7,239
Property, plant and equipment, net		822	1,001
Goodwill		17,823	17,823
Intangible assets, net		3,948	3,119
Deferred income taxes		983	-
Other assets		463	463
Total assets	\$	28,067	\$ 29,645
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	\$	1,686	\$ 744
Accounts payable related party		-	24
Current portion of long-term debt		283	282
Reserve for legal settlements		154	154
Deferred revenue		281	108
Total current liabilities	\$	2,404	\$ 1,312
Long-term liabilities			
Debt		246	271
Deferred income taxes		-	617
Total long-term liabilities	\$	246	\$ 888
Total liabilities	\$	2,650	\$ 2,200
Stockholders' equity			
Series A Preferred stock, \$0.0001 par value: 1,000,000 shares authorized; 200,000 shares issued and outstanding as of October 31, 2022 and January 31, 2022		-	-
Series B Preferred stock, \$0.0001 par value: 1,500,000 shares authorized; 650,000 shares issued and 400,000 shares outstanding as of October 31, 2022 and January 31, 2022		-	-

Series C Preferred stock, \$0.0001 par value: 2,000,000 shares authorized; 0 shares issued and outstanding as of October 31, 2022 and January 31, 2022	-	-
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 9,949,966 shares issued and 9,923,304 shares outstanding as of October 31, 2022, and 8,604,038 shares issued and outstanding as of January 31, 2022	1	1
Treasury stock	(1,691)	(1,599)
Additional paid-in capital	83,834	80,134
Receivable from stockholder	(250)	-
Accumulated deficit	(56,477)	(51,091)
Total stockholders' equity	\$ 25,417	\$ 27,445
Total liabilities and stockholders' equity	\$ 28,067	\$ 29,645

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

Everything Blockchain, Inc.
Consolidated Statements of Income
(Amounts in thousands, except share and per share data)

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
	(unaudited)			
Revenue	\$ 1,822	\$ 830	\$ 2,460	\$ 2,216
Cost of sales	1,475	186	1,546	210
Gross profit	347	644	914	2,006
Selling, general, and administrative	996	898	3,068	1,725
Stock based compensation	716	-	2,197	-
Depreciation and amortization	40	40	140	63
Total operating expenses	1,752	938	5,405	1,788
Income (loss) from operations	(1,405)	(294)	(4,491)	218
Other income (expense), net	(264)	3,524	(2,494)	6,319
Income (loss) before income taxes	(1,669)	3,230	(6,985)	6,537
Income tax benefit	405	-	1,599	-
Net income (loss)	\$ (1,264)	\$ 3,230	\$ (5,386)	\$ 6,537
Basic and diluted income (loss) per share:				
Basic income (loss) per share	\$ (0.13)	\$ 0.38	\$ (0.58)	\$ 0.92
Diluted income (loss) per share	\$ (0.13)	\$ 0.29	\$ (0.58)	\$ 0.69
Weighted average shares outstanding - basic	9,676,492	8,552,786	9,258,102	7,074,748
Weighted average shares outstanding - diluted	9,676,492	11,304,831	9,258,102	9,445,111

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

Everything Blockchain, Inc.
Consolidated Statements of Stockholders' Equity
(Amounts in thousands)

	Preferred Stock		Common Stock		Treasury Stock (unaudited)	Additional Paid-in Capital	Receivable from Shareholder	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance – January 31, 2021	800	\$ -	5,974	\$ 1	\$ -	\$ 54,946	\$ -	\$ (53,408)	\$ 1,539
Stock issued	-	-	308	-	-	669	-	-	669
Stock issued for services	-	-	390	-	-	1,109	-	-	1,109
Stock issued for acquisitions	-	-	1,750	-	-	8,642	-	-	8,642
Warrant exercise	-	-	182	-	-	140	-	-	140
Issuance of Series A Preferred for services	50	-	-	-	-	2,000	-	-	2,000
Conversion of note receivable	(250)	-	-	-	(1,598)	-	-	-	(1,598)
Net income	-	-	-	-	-	-	-	6,537	6,537
Balance – October 31, 2021	600	\$ -	8,604	\$ 1	\$ (1,598)	\$ 67,506	\$ -	\$ (46,871)	\$ 19,038
Balance – January 31, 2022	600	\$ -	8,604	\$ 1	\$ (1,599)	\$ 80,134	\$ -	\$ (51,091)	\$ 27,445
Issuance of Series C Preferred	250	-	-	-	-	1,000	-	-	1,000
Conversion of Series C Preferred into common stock	(250)	-	561	-	-	-	-	-	-
Warrant exercise	-	-	785	-	-	785	(250)	-	535

Sale of asset	-	-	(27)	-	(92)	-	-	(92)
Stock based compensation	-	-	-	-	-	1,915	-	1,915
Net loss	-	-	-	-	-	-	(5,386)	(5,386)
Balance – October 31, 2022	600	\$ -	9,923	\$ 1	\$ (1,691)	\$ 83,834	\$ (250)	\$ (56,477)
							\$	25,417

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

Everything Blockchain, Inc.
Consolidated Statements of Cash Flows
(Amounts in thousands)

	For the Nine Months Ended October 31,	
	2022	2021
	(unaudited)	
Cash flows from operating activities:		
Net Income (Loss)	\$ (5,386)	\$ 6,537
<i>Adjustments to reconcile net income (loss) to net cash used in operating activities:</i>		
Stock based compensation	2,197	-
Deferred income tax benefit	(1,601)	-
Reverse of bad debt	-	(233)
Net loss on exchanges	4	-
Realized net (gain) loss on investment in cryptocurrency	186	(3,382)
Loss on cryptocurrency impairment	-	16
Fair value adjustment to cryptocurrency	2,206	(4,685)
Amortization and depreciation	140	63
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable, net	(211)	(114)
Interest receivable	-	(32)
Inventory	(5)	(61)
Prepaid expenses	(104)	(72)
Other assets	(69)	(4)
Accounts payable to related party	(30)	12
Accounts payable and accrued expenses	977	93
Deferred revenue	173	(155)
Net cash used in operating activities	(1,523)	(2,017)
Cash flows from investing activities:		
Acquisition of cryptocurrencies, net	-	(1,264)
Proceeds from sale of cryptocurrencies	755	4,729
Acquisitions, net of cash received	-	(23)
Capital expenditures	(888)	(137)
Net cash provided by (used in) investing activities	(133)	3,305
Cash flows from financing activities:		
Payment to related party	-	(500)
Payment of debt	(24)	(10)
Proceeds from issuance of Series C Preferred Stock	1,000	-
Proceeds from exercise of warrants	500	-
Proceeds from issuance of stock, net	-	768
Net cash provided by financing activities	1,476	258
Net Change in Cash	(180)	1,546
Cash, beginning of period	1,062	-
Cash, end of period	\$ 882	\$ 1,546
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	\$ 42	\$ 19
Cash paid for income taxes	\$ 3	\$ -
Non-cash Investing and Financing Activities:		
Conversion of accounts payable to related party to common stock	\$ 35	\$ 40
Trade in of vehicle	3	-
Sale of asset for common stock	92	-
Exercise of warrant for receivable	250	-
Loan of cryptocurrency	-	500
Cryptocurrency received for payment under contract	-	240
Fair value of assets in acquisitions	-	9,433
Fair value of liabilities assumed in acquisitions	-	791
Accounts receivable settlement for Render Payment	-	233
Conversion of note receivable in exchange for common stock and preferred stock	-	1,598
Issuance of stock for services	-	1,110
Issuance of Series A Preferred for services	-	2,000

See accompanying notes to consolidated financial statements.

[Table of Contents](#)

Everything Blockchain, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1. Organization and Basis of Presentation

The accompanying unaudited consolidated financial statements of Everything Blockchain, Inc. (“EBI”) and its consolidated subsidiaries (collectively, the “Company”, “we”, “our”), have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and the rules of the SEC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Description of Business

The Company is primarily engaged in the business of consulting and developing blockchain and cybersecurity related solutions.

Subsidiaries of the Company

On April 26, 2021, EBI became the sole owner of Render Payment, LLC (“Render”). On June 21, 2021, EBI acquired all of the equity interests of 832 Energy Technology Consultants, LLC (“832”). On June 30, 2021, EBI acquired all of the equity interests of Mercury, Inc. (“Mercury”). On July 31, 2021, EBI acquired all of the equity interests of Vengar Technologies LLC (“Vengar”).

Note 2. Summary of Significant Accounting Policies
Principles of Consolidation

The consolidated financial statements include the accounts of EBI and its wholly owned subsidiaries of Render, 832, Mercury, Vengar, and Everything Blockchain Technology Corporation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates and judgments relate to revenue recognition; sales returns and other allowances; allowance for doubtful accounts; valuation of inventory; valuation and recoverability of long-lived assets; property and equipment; contingencies; and income taxes.

On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

[Table of Contents](#)
Revenue Recognition Policies

Services revenue. We generate services revenue via consulting services and software development. The Company is engaged in developing, engineering, and designing blockchain projects, to include platforms and cryptocurrencies for customers.

Subscription revenue. We generate revenue from subscriptions through staking of our current crypto assets. Our primary token being staked is a hybrid Proof of Work (“POW”) and Proof of Stake (“POS”) system. Stakers, in this particular token are paid inflation based both on the duration of the stake (contract length), as well as based on the volume / quantity of tokens staked. Rewards / interest / inflation are paid in the native token. We also participate in networks with POW consensus algorithms, through creating or validating blocks on the network. In exchange for participating in the consensus mechanism of these networks, the Company earns rewards in the form of the native token of the network. Each block creation or validation is a performance obligation. Revenue is recognized at the point when the block creation or validation is complete, and the rewards are available for transfer. Revenue is measured based on the number of tokens received and the fair value of the token at the date of recognition.

Product revenue. We generate product revenue through customized product development.

We recognize revenue when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine 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; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments and accounts receivable.

Concentrations of credit risk with respect to trade receivables and commodities are limited due to the Company's diverse group of customers. The Company establishes an allowance for doubtful accounts when events and circumstances regarding the collectability of its receivables or the selling of its commodities warrant based upon factors such as the credit risk of specific customers, historical trends, other information and past bad debt history. The outstanding balances are stated net of an allowance for doubtful accounts.

Revenues from one customer represent \$1.0 million of the Company's revenue for the nine months ended October 31, 2021.

Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company may occasionally maintain amounts on deposit with a financial institution that are in excess of the federally insured limit of \$250,000. The risk is managed by maintaining all deposits in high-quality financial institutions. The Company had \$0.6 million and \$0.1 million in excess of federally insured limits on October 31, 2022 and January 31, 2022, respectively.

Our cryptocurrency balances are maintained in accounts held by institutions located in and outside the United States. The Company maintains amounts on deposit that often exceed coverage from third party insured limit of up to \$1,000,000. The risk is managed by maintaining multiple accounts with various accounts held in a cold storage wallet. The Company had \$4,000 in excess of amounts protected by insurance on October 31, 2022.

[Table of Contents](#)

Cash and Cash Equivalents

The Company includes in cash and cash equivalents all short-term, highly liquid investments that mature within three months of the date of purchase. Cash equivalents consist principally of investments in interest-bearing demand deposit accounts and liquidity funds with financial institutions and are stated at cost, which approximates fair value. The Company had no cash equivalents as of October 31, 2022 and January 31, 2022.

Basic and Diluted Net Earnings (Loss) Per Share

The Company follows *ASC Topic 260 – Earnings Per Share*, and *FASB 2015-06, Earnings Per Share* to account for earnings per share. Basic earnings per share ("EPS") calculations are determined by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS calculations are determined by dividing net income (loss) by the weighted average number of common shares outstanding plus the dilutive effect, calculated using (i) the "treasury stock" method for warrants and (ii) the "if converted" method for the preferred stock if their inclusion would not have been anti-dilutive.

Fair Value Measurements

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Quoted prices in active markets for identical instruments;
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments);
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments).

The carrying values for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities, and deferred revenue approximate their fair value due to their short maturities.

Note 3. Going Concern

The Company's consolidated financial statements are prepared in accordance with GAAP, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Because the business is new and has a limited history, no certainty of continuation can be stated. The accompanying financial statements for the three and nine months ended October 31, 2022 and 2021 have been prepared to assume that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has had historically negative cash flow and net losses. Though the year ended January 31, 2022 resulted in positive cash flow and net income, there are no assurances the Company will generate a profit or obtain positive cash flow in the future. The Company has sustained its solvency through the support of its shareholder Overwatch Partners, Inc. ("Overwatch"), which raise substantial doubt about its ability to continue as a going concern.

Management is taking steps to raise additional funds to address its operating and financial cash requirements to continue operations in the next twelve months. Management has devoted a significant amount of time to the raising of capital from additional debt and equity financing. However, the Company's ability to continue as a going concern is dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the funding or generate the revenue necessary to fund operations. The financial statements contain no adjustments for the outcome of this uncertainty.

[Table of Contents](#)

Note 4. Intangible Assets

Intangible assets consist of the following:

	Gross Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)	
IP/Technology	\$ 3,919	\$ -	\$ 3,919
Non-compete agreements	82	53	29
Total Intangibles	\$ 4,001	\$ 53	\$ 3,948

As of January 31, 2022			
	Gross Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)	
IP/Technology	\$ 3,060	\$ -	\$ 3,060
Non-compete agreements	82	23	59
Total Intangibles	\$ 3,142	\$ 23	\$ 3,119

The Company's IP/Technology is still being developed so no amortization has been recorded. The non-compete agreements are amortized over two years.

Note 5. Cryptocurrency Assets

The Company transacts business with cryptocurrency assets. The Company records cryptocurrency assets as an intangible asset with infinite life. We classify cryptocurrency that have a market value and substantial liquidity as current intangible assets, which we value at fair market value in accordance with Statement No. 157. Cryptocurrencies that do not trade on a market or have limited liquidity are classified as non-current intangible assets and are recorded on a cost basis. The following chart shows our cryptocurrency assets (in thousands):

Current Assets			
Coin Symbol	As of		
	October 31, 2022	January 31, 2022	
	FMV		
BTC	\$ 4	\$ 272	
ETH	-	1	
GUSD	1	-	
HEX	-	2,879	
	\$ 5	\$ 3,152	

During the three months ended October 31, 2022, the Company recorded in other income (expense), an expense of \$0.2 million on the sales of cryptocurrencies. During the nine months ended October 31, 2022, the Company recorded in other income (expense), net fair value expense adjustments of \$2.2 million and an expense of \$0.2 million on the sales of cryptocurrencies. For the three months ended October 31, 2021, the Company recorded in other income (expense), net fair value income adjustments of \$2.3 million and sales of cryptocurrencies, net of associated costs, of \$1.2 million. For the nine months ended October 31, 2021, the Company recorded in other income (expense), net fair value income adjustments of \$4.7 million and sales of cryptocurrencies, net of associated costs, of \$1.4 million.

[Table of Contents](#)

Note 6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	As of	
	October 31, 2022	January 31, 2022
Land	\$ 36	\$ 36
Buildings and building improvements	339	329
Machinery and equipment	210	208
Furniture, fixtures and office equipment	75	69
Computer equipment and computer software	249	238
Vehicles	60	181
	969	1,061
Less: Accumulated depreciation	(147)	(60)
Total property, plant and equipment, net	\$ 822	\$ 1,001

Note 7. Debt

On March 17, 2021, the Company entered into a loan agreement for \$500,000 with Epic Industry Corp ("Epic"), a wholly owned company of Michael Hawkins, the Company's Chairman of the board of directors. The loan was financed with \$500,000 of GUSD cryptocurrency tokens, a stable coin. The interest rate was 3% per annum. The Company paid off the loan during the quarter ended July 31, 2021.

As of October 31, 2022, Mercury's outstanding debt of \$0.5 million had a weighted average interest rate of 6.3%. The debt consists primarily of term loans and a line of credit with various financial institutions, and such debt is collateralized by the assets of Mercury. The debt has maturity dates ranging from 2022 through 2037.

Note 8. Commitments and Contingencies

The Company reports and accounts for its commitments and contingencies in accordance with *ASC 440 – Commitments* and *ASC 450 – Contingencies*. We recognize a loss on a contingency when it is probable a loss will incur and that the amount of the loss can be reasonably estimated. No loss contingencies have been recorded for the three and nine

months ended October 31, 2022 and 2021.

Note 9. Legal Proceedings

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

[Table of Contents](#)

Note 10. Related Parties and Related Party Transactions

Related party balance sheet items (in thousands)

	As of October 31, 2022	As of January 31, 2022
Prepaid expenses	\$ 2,000	\$ 2,000
Accounts payable and accrued expenses	-	24
Loans receivable	6	-
Loans payable	-	24

Related party income statement items (in thousands)

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
Consulting expenses	\$ 30	\$ -	\$ 90	\$ -
Stock based compensation	575	-	1,725	-
Payroll expenses	132	122	484	236

During the quarter ended July 31, 2021, the Company issued 50,000 shares of Series A Preferred Stock to Epic. The issuance was done as a prepayment for services to generate sales for the Company. The shares are earned as sales generated by Epic achieve certain sales targets.

Sale of Vehicle

On August 11, 2022, our board of directors approved the sale of our 2022 Cadillac Escalade to Eric Jaffe, our former chief executive officer and current board member, for \$91,983. Mr. Jaffe paid for the vehicle with 26,662 shares of his Company common stock. The shares are considered treasury stock.

Sale of HEX

On August 14, 2022, to fund operations our board of directors approved the sale of 10 million HEX tokens to Michael Hawkins for \$450,000. During the nine months ended October 31, 2022, the market price of HEX dropped. The Company recorded a loss on the transaction of approximately \$47,000.

On September 16, 2022, to fund operations our board of directors approved the sale of approximately 6.7 million HEX tokens and approximately 7 Bitcoins to Michael Hawkins for \$304,747. During the nine months ended October 31, 2022, the market prices of HEX and Bitcoin dropped. The Company recorded a loss on the transaction of approximately \$195,000.

Note 11. Stockholders' Equity

Common Stock

As of October 31, 2022 and January 31, 2022, the Company had 200,000,000 common shares authorized, with 9,949,966 and 8,604,038 common shares at a par value of \$0.0001 issued, respectively. As of October 31, 2022 and January 31, 2022, the Company had 9,923,304 and 8,604,038 common shares outstanding, respectively.

On April 19, 2022, two warrants were exercised for a total of 500,000 shares of common stock resulting in the Company receiving \$0.5 million.

On June 3, 2022, the Law Offices of Carl G. Hawkins exercised their warrant acquiring 35,000 shares at the strike price of \$1.00 per share through the conversion of the accounts payable owed by the Company for services provided. The shares were issued in the name of Carl G. Hawkins.

On October 31, 2022, two warrants were exercised for a total of 250,000 shares of common stock, resulting in the Company having a receivable for \$0.3 million. Since the receivable is from a stockholder, it is recorded as a contra-equity account.

During the three months ended October 31, 2022, stock based compensation expense related to stock grants was \$75,000 from a grant to an employee. During the nine months ended October 31, 2022, stock based compensation expense related to stock grants was \$281,000, which consisted of grants to employee of \$225,000 and consultants of \$56,000. During the three and nine months ended October 31, 2021, there was no stock based compensation expense associated with stock grants.

Preferred Stock

Series A Preferred Stock

As of October 31, 2022 and January 31, 2022, the Company had 1 million Series A Preferred shares, par value \$0.0001, authorized, with 200,000 Series A Preferred shares issued and outstanding. The Series A Preferred stock converts into common stock at the option of the holder of the Series A Preferred. The conversion rate for every 1 share of Series A Preferred stock is 50 shares of common stock. Each share of Series A Preferred stock entitles the holder to 1,000 votes. Holders of Series A Preferred are entitled to

share ratably in dividends, if any are declared. There are no redemption rights. In the event of dissolution, the holders of Series A Preferred are entitled to share pro rata all assets remaining after payment in full of all liabilities.

During the quarter ended July 31, 2021, the Company issued 50,000 shares of Series A Preferred Stock to Epic. The issuance was done as a prepayment for services to generate sales for the Company. The shares are earned as sales generated by Epic achieve certain sales targets.

Effective April 17, 2022, 150,000 shares of Series A Preferred Stock are eligible to be converted into common stock at the option of the holder of the Series A Preferred Stock. Effective June 16, 2023, the remaining 50,000 shares of Series A Preferred Stock will be eligible to be converted into common stock at the option of the holder of the Series A Preferred Stock.

[Table of Contents](#)

Series B Preferred Stock

As of October 31, 2022 and January 31, 2022, the Company had 1.5 million Series B Preferred shares, par value \$0.0001, authorized, with 650,000 Series B Preferred shares issued and 400,000 Series B Preferred shares outstanding. The Series B Preferred stock converts into common stock at the option of the holder of the Series B Preferred, after twenty-four months of ownership. The conversion rate for every 1 share of Series B Preferred stock is 10 shares of common stock. Each share of Series B Preferred stock entitles the holder to 100 votes. Holders of Series B Preferred are entitled to share ratably in dividends, if any are declared. There are no redemption rights. In the event of dissolution, the holders of Series B Preferred are entitled to share pro rata all assets remaining after payment in full of all liabilities.

Effective April 29, 2022, all shares of Series B Preferred Stock are eligible to be converted into common stock at the option of the holder of the Series B Preferred Stock.

Series C Preferred Stock

As of October 31, 2022, the Company had 2 million Series C Preferred shares, par value \$0.0001, authorized, with no Series C Preferred shares issued and outstanding.

On March 17, 2022, the Board approved the conversion of 2,000,000 shares of blank check preferred stock into 2,000,000 shares of Series C Preferred Stock, par value \$0.0001. The Series C Preferred Stock shall rank senior to the Company's common stock, Series A Preferred Stock, and Series B Preferred Stock. Each holder of Series C Preferred Stock is entitled to one (1) vote for each share of Series C Preferred Stock held on all matters submitted to a vote of stockholders. Each share of Series C Preferred Stock shall be convertible, at the discretion of the holders, after six months of ownership, into shares of common stock. The number of common shares issued shall be at the rate of 30% less than the volume-weighted average price or \$5.00 per share whichever is less.

On April 19, 2022, the Company sold 250,000 shares of Series C Preferred Stock for \$1.0 million.

On June 14, 2022, our board of directors approved the early conversion of 250,000 shares of Series C Preferred Stock into 560,928 shares of common stock.

Note 12. Warrants

On April 19, 2022, two warrants were exercised for a total of 500,000 shares of common stock resulting in the Company receiving \$0.5 million.

On April 19, 2022, the holder of the 250,000 shares of Series C Preferred Stock received a warrant to purchase 25,000 shares of common stock at the price of \$9.00 per share.

On June 3, 2022, the Law Offices of Carl G. Hawkins exercised their warrant acquiring 35,000 shares at the strike price of \$1.00 per share through the conversion of the accounts payable owed by the Company for services provided. The shares were issued in the name of Carl G. Hawkins.

On June 15, 2022, a former employee's warrants for 125,000 shares of common stock expired, which was three months after they left the Company.

On October 31, 2022, two warrants were exercised for a total of 250,000 shares of common stock, resulting in the Company having a receivable for \$0.3 million. Since the receivable is from a stockholder, it is recorded as a contra-equity account.

A summary of warrant activity for nine months ended October 31, 2022 is as follows:

	Shares	Weighted Average Conversion Price
Warrants outstanding at January 31, 2022	4,991,000	\$ 2.83
Expired	(875,000)	1.71
Exercised	(785,000)	1.00
Granted	25,000	9.00
Warrants outstanding at October 31, 2022	3,356,000	\$ 3.60

During the three months ended October 31, 2022, stock based compensation expense related to warrant grants was \$641,000, which consisted of grants to employees of \$366,000, directors of \$209,000, and consultants of \$66,000. During the nine months ended October 31, 2022, stock based compensation expense related to warrant grants was \$1,915,000, which consisted of grants to employees of \$1,090,000, directors of \$628,000, and consultants of \$197,000. During the three and nine months ended October 31, 2021, there was no stock based compensation expense associated with warrant grants.

[Table of Contents](#)

Note 13. Treasury Stock

Treasury stock consists of 250,000 shares of Series B Preferred stock and 26,662 shares of common stock. The shares are considered issued but not outstanding. Therefore, the shares are not used in the EPS calculations.

Note 14. Income Taxes

Our consolidated effective income tax rates for the three and nine months ended October 31, 2022 were 26% and 23%, respectively.

Note 15. Net Income (Loss) Per Common Share

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
	(in thousands, except per share data)			
Numerator:				
Net income (loss)	\$ (1,264)	\$ 3,230	\$ (5,386)	\$ 6,537
Denominator:				
Weighted average common shares outstanding	9,676	8,553	9,258	7,075
Effect of dilutive securities:				
Warrants	-	2,752	-	2,370
Preferred stock	-	-	-	-
Diluted shares outstanding	9,676	11,305	9,258	9,445
Basic: Net income (loss) per common share	\$ (0.13)	\$ 0.38	\$ (0.58)	\$ 0.92
Diluted: Net income (loss) per common share	\$ (0.13)	\$ 0.29	\$ (0.58)	\$ 0.69

Note 16. Subsequent Events

On November 16, 2022, EBI, International, Inc. (“EBII”) was formed in the State of Florida. Purpose of EBII, a wholly owned subsidiary of EBI, is to be the United States parent entity to any foreign subsidiaries formed by the Company.

On December 12, 2022, we launched EB Build, our patent-pending blockchain platform, that serves as the backbone of the Company’s proprietary blockchain and trust ecosystem. EBI’s subsidiary, 832, developed EB Build.

[Table of Contents](#)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition, results of operations and cash flows in conjunction with our consolidated financial statements and the related notes presented in this report and in our Annual Report.

FORWARD-LOOKING STATEMENTS

Certain statements in this section contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this report and not clearly historical in nature are forward-looking, and the words “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “intends,” “potential,” and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) generally are intended to identify forward-looking statements. Any statements in this report that are not historical facts are forward-looking statements. Actual results may differ materially from those discussed from time to time in the Company’s SEC filings. The Company undertakes no obligation to update or revise any forward-looking statement for events or circumstances after the date on which such statement is made except as required by law.

OVERVIEW

The overview of the MD&A highlights selected information and does not contain all of the information that is important to readers of this Quarterly Report on Form 10Q.

The Company is primarily engaged in the business of consulting and developing blockchain and cybersecurity related solutions. Our technology platform provides the building blocks to power blockchain-related applications for organizations seeking to tap into the benefits of blockchain to solve critical business issues. Our patent--pending advances in blockchain engineering deliver the essential elements needed for real-world business use: speed, security, and energy efficiency. Currently, our lines of business are EB Advise, EB Build and EB Control.

On June 21, 2021, we acquired all of the equity interests of 832. On June 30, 2021, we acquired all of the equity interests of Mercury. On July 31, 2021, we acquired all of the equity interests of Vengar.

Our website can be found at www.everythingblockchain.io, which is not incorporated as part of this Form 10Q.

EMPLOYEES AND CONSULTANTS

As of October 31, 2022, the Company has 23 employees.

Available Information

All reports of the Company filed with the SEC are available free of charge through the SEC’s website at www.sec.gov. In addition, the public may read and copy materials filed by the Company at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. The public may also obtain additional information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330.

Factors Affecting Comparability of Financial Information

Our historical results of operations for the nine months ended October 31, 2022, may not be comparable with our results of operations for the nine months ended October 31, 2021, for the reasons discussed below.

832's operations are included in our historical operating results as of June 21, 2021. Mercury's operations are included in our historical operating results as of July 1, 2021. Vengar's operations are included in our historical operating results as of August 1, 2021.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, deferred compensation and contingencies.

We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances. These estimates allow us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Results of Operations

Our operating results for the three and nine months ended October 31, 2022 and 2021 are summarized as follows:

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
	(in thousands)			
Revenue	\$ 1,822	\$ 830	\$ 2,460	\$ 2,216
Cost of sales	1,475	186	1,546	210
Gross profit	347	644	914	2,006
Selling, general, administrative	996	898	3,068	1,725
Stock based compensation	716	-	2,197	-
Depreciation and amortization	40	40	140	63
Total operating expenses	1,752	938	5,405	1,788
Income (loss) from operations	(1,405)	(294)	(4,491)	218
Other income (expense), net	(264)	3,524	(2,494)	6,319
Income (loss) before income taxes	(1,669)	3,230	(6,985)	6,537
Income tax benefit	405	-	1,599	-
Net income (loss)	<u>\$ (1,264)</u>	<u>\$ 3,230</u>	<u>\$ (5,386)</u>	<u>\$ 6,537</u>

Revenue

Revenue for the three months ended October 31, 2022 was \$1.8 million as compared to \$0.8 million for the three months ended October 31, 2021. Revenue for the three months ended October 31, 2022 primarily consisted of \$1.6 million from product revenue, \$0.2 million from consulting services, and \$2,000 from staking of cryptocurrency. Mercury provided \$1.7 million of the revenue. Revenue for the three months ended October 31, 2021 primarily consisted of \$0.7 million from consulting services and \$0.1 million from staking of cryptocurrency. Mercury provided \$0.5 million of the revenue.

Revenue for the nine months ended October 31, 2022 was \$2.5 million as compared to \$2.2 million for the nine months ended October 31, 2021. Revenue for the nine months ended October 31, 2022 primarily consisted of \$1.8 million from product revenue, \$0.6 million from consulting services, and \$54,000 from staking of cryptocurrency. Mercury provided \$2.3 million of the revenue. Revenue for the nine months ended October 31, 2021 primarily consisted of \$2.0 million from consulting services and \$0.2 million from staking of cryptocurrency. EBI and Mercury provided \$1.5 million and \$0.5 million of the revenue, respectively.

Cost of Sales

Cost of sales for the three months ended October 31, 2022 was \$1.5 million as compared to \$0.2 million for the three months ended October 31, 2021. Cost of sales for the three months ended October 31, 2022 primarily consisted of product costs of \$0.9 million and commissions of \$0.6 million. Cost of sales for the three months ended October 31, 2021 primarily consisted of \$0.2 million in product costs and commissions. Mercury provided all the cost of sales for both periods.

Cost of sales for the nine months ended October 31, 2022 was \$1.5 million as compared to \$0.2 million for the nine months ended October 31, 2021. Cost of sales for the three months ended October 31, 2022 primarily consisted of product costs of \$0.9 million and commissions of \$0.6 million. Cost of sales for the nine months ended October 31, 2021 primarily consisted of \$0.2 million in product costs and commissions. Mercury provided all the cost of sales for both periods.

Gross Profit

Gross profit for the three months ended October 31, 2022 was \$0.3 million as compared to \$0.6 million for the three months ended October 31, 2021. Gross profit for the nine months ended October 31, 2022 was \$0.9 million as compared to \$2.0 million for the nine months ended October 31, 2021.

Operating Expenses

Operating expenses primarily consist of selling, general and administrative expenses, stock based compensation expense, and amortization and depreciation expense. Selling, general and administrative expenses primarily consist of personnel costs, consultant fees, professional fees, computer and internet expenses, marketing expenses, utilities expenses, meals and entertainment, office supplies, and reporting fees.

Operating expenses for the three months ended October 31, 2022 were \$1.8 million compared to \$0.9 million for the three months ended October 31, 2021. The primary reason for the increase was due to stock based compensation of \$0.7 million and marketing expenses of \$0.1 million. For the three months ended October 31, 2022, EBI and Mercury provided \$1.2 million and \$0.4 million of the operating expenses, respectively. For the three months ended October 31, 2021, EBI and Mercury provided \$0.4 million and \$0.3 million of the operating expenses, respectively.

Operating expenses for the nine months ended October 31, 2022 were \$5.4 million compared to \$1.8 million for the nine months ended October 31, 2021. The primary reason for the increase was due to stock based compensation of \$2.2 million, marketing expenses of \$0.5 million, professional fees of \$0.4 million, and the acquisitions of 832, Mercury, and Vengar. For the nine months ended October 31, 2022, EBI, Mercury, and Vengar provided \$3.7 million, \$0.9 million, and \$0.7 million of the operating expenses, respectively. For the nine months ended October 31, 2021, EBI and Mercury provided \$1.1 million and \$0.4 million of the operating expenses, respectively.

Income (Loss) from Operations

Loss from operations for the three months ended October 31, 2022 was \$1.4 million compared to \$0.3 million for the three months ended October 31, 2021. The primary reasons for the increase in loss from operations were due to the increase in operating expenses as discussed above.

Loss from operations for the nine months ended October 31, 2022 was \$4.5 million compared to income from operations of \$0.2 million for the nine months ended October 31, 2021. The primary reasons for the decrease in income from operations were due to the increase in cost of sales and operating expenses as discussed above.

Adjusted EBITDA

The Company reports all financial information required in accordance with GAAP. The Company believes, however, that evaluating its ongoing operating results will be enhanced if it also discloses certain non-GAAP information.

Adjusted EBITDA, which is a non-GAAP financial measure, is defined by the Company as net income (loss) plus net interest income, income tax (benefit) expense, depreciation and amortization, and stock based compensation.

Adjusted EBITDA should not be considered an alternative to net income, operating income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. In addition, Adjusted EBITDA presented by other companies may not be comparable to our presentation, since each company may define these terms differently.

The table below reconciles Adjusted EBITDA, which is a non-GAAP financial measure, to net income (loss).

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2022	2021	2022	2021
	(in thousands)			
Net income (loss)	\$ (1,264)	\$ 3,230	\$ (5,386)	\$ 6,537
Add:				
Income tax benefit	(405)	-	(1,599)	-
Stock based compensation	716	-	2,197	-
Depreciation and amortization	40	40	140	63
Net interest (income) expense	15	15	41	(25)
Adjusted EBITDA	<u>\$ (898)</u>	<u>\$ 3,285</u>	<u>\$ (4,607)</u>	<u>\$ 6,575</u>

Analysis of Cash Flows

Operating Activities

Net cash used in operating activities was \$1.5 million for the nine months ended October 31, 2022. We had net loss of \$5.4 million, which included fair value adjustments to cryptocurrency of \$2.2 million, due to decreases in the values of cryptocurrencies, and stock based compensation of \$2.2 million.

Net cash used in operating activities was \$2.0 million for the nine months ended October 31, 2021. We had net income of \$6.5 million, which included fair value adjustments to cryptocurrency of \$4.7 million, due to increases in the values of cryptocurrencies, and \$3.4 million from realized gains on investment in cryptocurrencies.

[Table of Contents](#)

Investing Activities

Net cash used in investing activities was \$0.1 million for the nine months ended October 31, 2022, compared to net cash provided by investing activities of \$3.3 million for the nine months ended October 31, 2021. During the nine months ended October 31, 2022, we had capital expenditures of \$0.9 million, which were offset by proceeds from sale of cryptocurrencies of \$0.8 million. During the nine months ended October 31, 2021, we sold \$4.7 million of cryptocurrencies and purchased \$1.3 million of cryptocurrencies.

Financing Activities

Net cash provided by financing activities was \$1.5 million for the nine months ended October 31, 2022, compared to \$0.3 million for the nine months ended October 31, 2021. During the nine months ended October 31, 2022, we sold 250,000 shares of Series C Preferred Stock for \$1.0 million and two warrants were exercised for a total of 500,000 shares of common stock resulting in the Company receiving \$0.5 million. During the nine months ended October 31, 2021, we had proceeds from issuance of common stock of \$0.8 million and we paid off debt to a related party of \$0.5 million.

Liquidity and Capital Resources

Our cash on hand as of October 31, 2022 was \$0.9 million. Based on our revenues, cash on hand, current monthly burn rate, and recently launched products, EB Control and EB Build, the Company can sustain its operations going forward.

We fund operations primarily through cash on hand and cash from sales of cryptocurrencies and common stock.

On March 17, 2022, our board approved the conversion of 2,000,000 shares of blank check preferred stock into 2,000,000 shares of Series C Preferred Stock, par value \$0.0001. On April 19, 2022, the Company sold 250,000 shares of Series C Preferred Stock for \$1.0 million. On June 14, 2022, our board of directors approved the early conversion of 250,000 shares of Series C Preferred Stock into 560,928 shares of common stock.

On April 19, 2022, two warrants were exercised for a total of 500,000 shares of common stock resulting in the Company receiving \$0.5 million.

On July 27, 2022, we launched EB Control, our patent-pending, zero-trust data protection solution, which was developed by Vengar.

On August 11, 2022, our board of directors approved the sale of our 2022 Cadillac Escalade to Eric Jaffe, our former chief executive officer and current board member, for \$91,983. Mr. Jaffe paid for the vehicle with 26,662 shares of his Company common stock.

On August 14, 2022, to fund operations our board of directors approved the sale of 10 million HEX tokens to Michael Hawkins for \$450,000. During the nine months ended October 31, 2022, the market price of HEX dropped. The Company recorded a loss on the transaction of approximately \$47,000.

On September 16, 2022, to fund operations our board of directors approved the sale of approximately 6.7 million HEX tokens and approximately 7 Bitcoins to Michael Hawkins for \$304,747. During the nine months ended October 31, 2022, the market prices of HEX and Bitcoin dropped. The Company recorded a loss on the transaction of approximately \$195,000. As of October 31, 2022, the Company owns approximately \$5,000 of cryptocurrencies.

On October 31, 2022, two warrants were exercised for a total of 250,000 shares of common stock, resulting in the Company having a receivable for \$0.3 million. Since the receivable is from a stockholder, it is recorded as a contra-equity account.

On December 12, 2022, we launched EB Build, our patent-pending blockchain platform, that serves as the backbone of the Company's proprietary blockchain and trust ecosystem. EBI's subsidiary, 832, developed EB Build.

Off-Balance Sheet Arrangements

We did not have any material off-balance sheet arrangements as of October 31, 2022.

Going Concern

Our financial statements are prepared in accordance with GAAP, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Because the business is relatively new and has a short history and relatively few sales, no certainty of continuation can be stated. The accompanying consolidated financial statements for the three and nine months ended October 31, 2022 and 2021 have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company and therefore, we are not required to provide information required by this Item of Form 10-Q.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

[Table of Contents](#)

We carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2022. In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report because we did not document our Sarbanes-Oxley Act Section 404 internal controls and procedures.

As funds become available to us, we expect to implement additional measures to improve disclosure controls and procedures such as implementing and documenting our internal controls procedures.

Changes in internal controls over financial reporting

There have been no changes in our internal control over financial reporting during the quarter ended October 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The Company's management, including its principal executive officer and its principal financial officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override

of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

[Table of Contents](#)

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not involved in any legal proceedings which management believes will have a material effect upon the financial condition of the Company, nor are any such material legal proceedings anticipated.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On April 19, 2022, the Company sold 250,000 shares of Series C Preferred Stock for \$1.0 million. On June 14, 2022, our board of directors approved the early conversion of 250,000 shares of Series C Preferred Stock into 560,928 shares of common stock.

On April 19, 2022, two warrants were exercised for a total of 500,000 shares of common stock resulting in the Company receiving \$0.5 million.

On October 31, 2022, two warrants were exercised for a total of 250,000 shares of common stock, resulting in the Company having a receivable for \$0.3 million. Since the receivable is from a stockholder, it is recorded as a contra-equity account.

Item 3. Defaults Upon Senior Securities

There have been no events that are required to be reported under this Item.

Item 4. Mine Safety Disclosures

There have been no events that are required to be reported under this Item.

Item 5. Other Information

There have been no events that are required to be reported under this Item.

[Table of Contents](#)

Item 6. Exhibits

[31.1](#) [Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[31.2](#) [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[32.1](#) [Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

[32.2](#) [Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

101.INS Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).

101.SCH Inline XBRL Taxonomy Extension Schema Document.

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB Inline XBRL Taxonomy Extension Labels Linkbase Document.

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.

104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Everything Blockchain, Inc.

Dated: December 20, 2022

By: /s/ Toney Jennings
Toney Jennings
Its: Interim Chief Executive Officer
(Principal Executive Officer)

Dated: December 20, 2022

By: /s/ William Regan
William Regan
Its: Interim Chief Financial Officer
(Principal Financial Officer)

Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer

I, Toney Jennings, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everything Blockchain, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 20, 2022

By: /s/ Toney Jennings

Toney Jennings

Its: Interim Chief Executive Officer
(Principal Executive Officer)

Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

I, William Regan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everything Blockchain, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 20, 2022

By: /s/ William Regan

William Regan

Its: Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 USC SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended October 31, 2022 of Everything Blockchain, Inc. (the "Company"), as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Toney Jennings, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 20, 2022

By: /s/ Toney Jennings

Toney Jennings

Its: Interim Chief Executive Officer
(Principal Executive Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.

**CERTIFICATION PURSUANT TO 18 USC SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the quarter ended October 31, 2022 of Everything Blockchain, Inc. (the "Company"), as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, William Regan, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 20, 2022

By: /s/ William Regan

William Regan

Its: Interim Chief Financial Officer
(Principal Financial Officer)

This certification accompanies this report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purpose of Section 18 of the Securities Exchange Act of 1934, as amended.