

DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Financial Statements

For the three and six months ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except as otherwise noted)

(Unaudited)

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DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

		As at March 31, 2024 (unaudited)	As at September 30, 2023 (audited)
	Notes	\$	\$
ASSETS			
Current			
Cash and cash equivalents		1,609,479	1,789,913
Amounts receivable	6	2,102,769	2,476,679
Digital currency	5	41,966,494	17,142,683
Prepaid expense and other current assets		332,900	193,512
Marketable securities	8	498,027	386,984
Assets held for sale	11	3,702,466	3,451,024
Total current assets		50,212,135	25,440,795
Long-term deposits	9	18,687,623	3,256,324
Property and equipment	12	42,632,378	47,398,585
Long-term investments	13	45,000	45,000
Amount recoverable	7	6,782,076	6,446,251
Total assets		118,359,212	82,586,955
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	14	5,408,373	4,178,104
Deferred revenue	19	63,712	64,361
Current portion of lease liability	15	57,014	50,555
Current portion of loans payable	16	12,127,654	1,272,397
Total current liabilities		17,656,753	5,565,417
Long-term lease liability	15	71,873	41,202
Total liabilities		17,728,626	5,606,619
Shareholders' Equity			
Share capital	17(a)	111,820,687	110,820,540
Reserves	17(b)(c)	45,711,651	45,507,272
Accumulated other comprehensive income		15,620,063	149,044
Accumulated deficit		(72,521,815)	(79,496,520)
Total shareholders' equity		100,630,586	76,980,336
Total liabilities and shareholders' equity		118,359,212	82,586,955
Contingencies	23		
Subsequent events	25		

Approved on Behalf of the Board of Directors on May 22, 2024:

/s/ John D. Abouchar
Director

/s/ Sheldon Bennett
Director

The accompanying notes are integral to these condensed consolidated financial statements

DMG Blockchain Solutions Inc.**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)**

(Expressed in Canadian Dollars, except for number of shares)

(Unaudited)

	Notes	For the Three Months Ended		For the Six Months Ended	
		March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
		\$	\$	\$	\$
Revenue	15	10,015,659	7,623,323	19,706,423	14,797,915
Expenses					
Operating and maintenance costs	16(a)	5,270,851	4,594,898	10,418,502	9,003,690
General and administrative	16(b)	1,846,398	776,942	2,732,459	1,724,878
Stock-based compensation		398,010	423,079	766,502	938,209
Research and development		486,216	499,165	924,395	931,104
Provision for doubtful accounts		42	50,773	3,806	114,377
Depreciation	10	3,805,988	5,854,704	8,147,770	11,945,549
Total expenses		11,807,503	12,199,561	22,993,434	24,657,807
Loss before other items		(1,791,844)	(4,576,238)	(3,287,011)	(9,859,892)
Other income (expense)					
Interest and other income	7	170,044	122,091	335,825	235,232
Provision of sales tax receivable		(381,690)	-	(635,590)	-
Gain on disposition of assets		4,809	-	4,809	70,429
Foreign exchange loss		(28,341)	(26,014)	(122,926)	(106,991)
Unrealized gain on revaluation of digital currency	5	1,019,456	-	9,182,316	-
Realized gain on sale of digital currency		1,143,489	506,054	1,995,359	328,892
Gain (loss) on change in fair value of marketable securities		(133,708)	134,698	111,043	(94,823)
Loss on fair value of investments	10	-	-	(609,120)	-
Net income (loss)		2,215	(3,839,409)	6,974,705	(9,427,153)
Other comprehensive income					
Items that may be reclassified subsequently to income or loss:					
Unrealized revaluation gain on digital currency	5	15,472,215	6,245,331	15,472,215	4,820,027
Cumulative translation adjustment		(11,278)	48,347	(1,196)	48,091
Comprehensive income (loss)		15,463,152	2,454,269	22,445,724	(4,559,035)
Basic and diluted income (loss) per share	13(d)	0.00	(0.02)	0.04	(0.06)
Weighted average number of shares outstanding	13(d)				
- basic		169,029,065	167,681,377	168,585,910	167,599,591
- diluted		172,516,428	167,681,377	173,248,160	167,599,591

The accompanying notes are integral to these condensed consolidated interim financial statements

DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars, except the number of shares)

(Unaudited)

	Number of common shares	Share Capital	Share-based payment reserve	Accumulated deficit	Accumulated Other Comprehensive Income	Total
		\$	\$	\$	\$	\$
Balance, September 30, 2022	167,256,377	110,381,441	43,959,280	(63,034,792)	121,623	91,427,552
Share-based compensation expense recognized	-	-	938,209	-	-	515,130
Shares issued on exercise of options (Note 17)	425,000	96,826	(33,076)	-	-	63,750
Unrealized loss on digital currency revaluation (Note 5)	-	-	-	-	4,820,027	4,820,027
Net loss for the period	-	-	-	(9,427,153)	-	(9,427,153)
Other comprehensive income for the period	-	-	-	-	48,091	48,091
Balance, March 31, 2023	167,681,377	110,478,267	44,864,413	(72,461,945)	4,989,741	87,870,476
Balance, September 30, 2023	168,042,815	110,820,540	45,507,272	(79,496,520)	149,044	76,980,336
Share-based compensation expense recognized	-	-	766,502	-	-	766,502
Shares issued on exercise of options (Note 17)	1,336,250	1,000,147	(562,123)	-	-	438,024
Unrealized gain on digital currency revaluation (Note 5)	-	-	-	-	15,472,215	15,472,215
Net income for the period	-	-	-	6,974,705	-	6,974,705
Other comprehensive loss for the period	-	-	-	-	(1,196)	(1,196)
Balance, March 31, 2024	169,379,065	111,820,687	45,711,651	(72,521,815)	15,620,063	100,630,586

The accompanying notes are integral to these condensed consolidated interim financial statements

DMG Blockchain Solutions Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the Six Months Ended	
	March 31, 2024	March 31, 2023
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the period	6,974,705	(9,427,153)
Non-cash items:		
Accretion	23,272	25,466
Depreciation	8,147,770	11,945,549
Share-based payments	766,502	938,209
Unrealized foreign exchange loss	40,351	43,613
Gain on disposition of assets	(4,809)	(70,429)
Gain (loss) on change in fair value of marketable securities	(111,043)	94,824
Loss on fair value of investment	609,120	-
Provision for sales tax receivable	635,590	-
Bad debt expense	3,806	114,377
Digital currency related revenue	(18,355,313)	(13,773,874)
Unrealized gain on digital currency	(9,182,315)	-
Digital currency sold	20,173,781	11,161,893
Realized gain on sale of digital currency	(1,995,359)	(328,892)
Non-cash interest income	(329,914)	(229,349)
Accrued interest	-	(129)
Changes in non-cash operating working capital:		
Prepaid expenses and other current assets	(144,388)	52,650
Amounts receivable	(212,015)	3,000,466
Amounts recoverable	-	(237,039)
Deferred revenue	11,277	(91,752)
Trade and other payables	1,144,920	1,895,676
Net cash provided by operating activities	8,195,938	5,114,106
INVESTING ACTIVITIES		
Purchase of property and equipment	(830,859)	(572,044)
Deposits on mining equipment	(18,102,867)	(1,991,167)
Proceeds on sale of equipment	-	4,829
Purchase of short-term investment	(609,120)	-
Proceeds from sublease	-	37,012
Net cash used by investing activities	(19,542,846)	(2,521,370)
FINANCING ACTIVITIES		
Proceeds from option exercises	438,024	63,750
Principal lease payments	(61,187)	(102,973)
Proceeds from secured loan	10,791,288	950,665
Repayment of loans payable	(1,668)	-
Net cash provided by financing activities	11,166,457	911,442
Impact of currency translation on cash	17	(481)
Change in cash	(180,434)	3,503,697
Cash, beginning	1,789,913	1,247,513
Cash, end	1,609,479	4,751,210

The accompanying notes are integral to these condensed consolidated interim financial statements

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

1. NATURE OF OPERATIONS

DMG Blockchain Solutions Inc. (the “Company”) was incorporated under the provisions of the British Columbia Business Corporations Act on April 18, 2011. The Company’s head office and principal place of business is 4193 104 Street, Delta, B.C. V4K3N3. The Company is a vertically integrated blockchain and crypto-currency company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. The Company has operated its transaction verification services business, commonly known as Bitcoin mining, in Western Canada since October 2016. The Company is also involved in server hosting and other similar service arrangements for the transaction verification services business as well as research and development of solutions related to the transaction verification services business. The Company’s shares are listed on the TSX-V under the symbol DMGI.

2. BASIS OF PRESENTATION

a) *Statement of compliance*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods of application as the Company’s September 30, 2023, consolidated audited annual financial statements. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

These consolidated financial statements were approved for issue by DMG’s board of directors on May 21, 2024.

b) *Basis of consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The financial transactions of subsidiaries are included in the financial statements from the date control is obtained. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Intercompany balances, transactions, income, and expense are eliminated and gains or losses on intercompany transactions are eliminated. The accounting policies of subsidiaries are the same as those of the Company.

Principal subsidiaries	Percentage ownership		Country of incorporation
	March 31, 2024	September 30, 2023	
DMG-US, Inc. (“DMG-US”)	100%	100%	United States
Datient, Inc.	100% indirect through DMG-US	100% indirect through DMG-US	United States
DMG Blockchain Services Inc.	100%	100%	United States
1141559 BC Ltd.	100%	100%	Canada
1132517 BC Ltd.	100%	100%	Canada
1300036 BC Ltd.	100%	100%	Canada
2564400 Alberta Ltd.	100%	0%	Canada

During the six months ended March 31, 2024, the Company incorporated a wholly owned subsidiary, 2564400 Alberta Ltd. for the establishment of an Alberta based independent digital asset custody solution for institutional clients.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

2. BASIS OF PRESENTATION (continued)

c) *Basis of measurement*

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities, and digital currencies measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency of the Company, 1141559 BC Ltd, 1132517 BC Ltd, 1300036 BC Ltd and 2564400 Alberta Ltd. is the Canadian dollar. The functional currency of DMG-US, Datient Inc., and DMG Blockchain Services Inc. is the US dollar, which is determined to be the currency of the primary economic environment in which the subsidiary operates. The presentation currency used in preparation of these consolidated financial statements is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities and non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of operations items at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of operations items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference is recognized in the statement of operations.

d) *Newly adopted IFRS pronouncements*

New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. These amendments will be applied in the annual period for which they are first required.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2

In January 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements (IAS 1). The amendment applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criteria for classifying a liability as non-current if there is the right to defer settlement of the liability for at least 12 months after the reporting period. This amendment is not expected to have a significant impact on the preparation of financial statements.

In February 2021, the IASB issued an amendment to IAS 1 Presentation of Financial Statements (IAS 1) and IFRS Practice Statement 2. The amendment applies to annual reporting periods beginning on or after January 1, 2023. The amendment requires that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements,' to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment does not have a significant impact on the preparation of the financial statements.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

2. BASIS OF PRESENTATION (continued)

Amendment to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

IFRS Sustainability Disclosure Standards

The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 ‘General Requirements for Disclosure of Sustainability-related Financial Information’ and IFRS S2 ‘Climate-related Disclosures’. The objective of IFRS S1 and S2 is to require an entity to disclose information about its sustainability and climate related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Both Standards are effective for fiscal years beginning January 1, 2024, but certain transitional reliefs are available. The ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies must consider the Sustainability Accounting Standards Board (‘SASB’) Standards to identify sustainability-related risks, opportunities and appropriate metrics. The Company is currently evaluating the impact of these reporting requirements.

In March of 2024, the Canadian Sustainability Standards Board (CSSB) proposed two exposure drafts on CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2, *Climate-related Disclosures*. These exposure drafts align with IFRS S1 and S2 global baselines, with modifications to align with Canadian-specific needs which include:

- extending the earliest voluntary adoptions dates for CSDS 1 and CSDS 2 from January 1, 2024 to January 1, 2025;
- the proposed transition relief for disclosures beyond climate-related risks and opportunities has been extended from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB standards on January 1, 2025, will be required to disclose information on all sustainability-related risks and opportunities from the reporting period beginning on or after January 1, 2027; and
- the proposed transition relief for disclosure of Scope 3 GHG emissions has been extended from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB on January 1, 2025, will be required to disclose Scope 3 GHG emissions from the reporting period beginning on or after January 1, 2027.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

2. BASIS OF PRESENTATION (continued)

e) Future IFRS pronouncements and amendments

IFRS 18 - Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

The new Accounting Standard introduces significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers. The main impacts of the new Accounting Standard include:

- introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities (i.e. operating, investing and financing);
- requiring disclosure about management performance measures (MPMs); and
- adding new principles for aggregation and disaggregation of information.

IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The extent of the impact of adoption of this new IFRS has not yet been determined and the Corporation has not determined if it would adopt by anticipation.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued amendments to IAS 21 –The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company is assessing the potential impact of these amendments.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a material impact on the Company.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended September 30, 2023 and have been consistently followed in the preparation of these condensed consolidated interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the applicability of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the annual consolidated financial statements as at and for the year ended September 30, 2023.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

5. DIGITAL CURRENCIES

At March 31, 2024 and September 30, 2023, the Company held bitcoin and ether as its digital currency. Bitcoin and ether are recorded at their fair value on the date they are received and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on “Yahoo.com” or “xe.com” at the relevant dates.

The continuity of digital currencies is as follows:

	BTC		ETH		TOTAL
	Units	\$	Units	\$	\$
Balance, September 30, 2022	343.24	9,236,520	45.34	83,270	9,319,790
Digital currency received from mining	878.21	27,397,627	-	-	27,397,627
Mining pool fees	2.66	93,861	-	-	93,861
Net pool revenue	(26.83)	(1,031,795)	-	-	(1,031,795)
Digital currency sold	(728.84)	(22,912,786)	-	-	(22,912,786)
Digital currency impairment	-	-	(45.34)	(102,735)	(102,735)
Digital currency revaluation	-	4,350,308	-	19,465	4,369,773
Exchange differences	-	8,958	-	-	8,958
Balance, September 30, 2023	468.44	17,142,683	-	-	17,142,683
Digital currency received from mining	350.21	20,661,514	-	-	20,661,514
Mining pool fees	(0.07)	(5,911)	-	-	(5,911)
Net pool revenue	(42.65)	(2,306,202)	-	-	(2,306,202)
Digital currency sold	(330.34)	(18,178,422)	-	-	(18,178,422)
Digital currency revaluation	-	24,654,530	-	-	24,654,530
Exchange differences	-	(1,698)	-	-	(1,698)
Balance, March 31, 2024	445.59	41,966,494	-	-	41,966,494

On January 30, 2024, the Company entered into a loan agreement (Note 16) whereby the Company was required to pledge BTC as collateral against the loan. As a result, 237.80 BTC at a fair value of \$22,396,446 is restricted until such time when the Company repays the loan in full.

During the year ended September 30, 2023, the Company's custodian Prime Trust was placed into receivership by the state of Nevada, which ordered the custodian to cease all activities. As at March 31, 2024, the Company held 45.34 ETH and 49.01 BTC held in digital currencies with Prime Trust. At the time of the order, the Company had also placed trades for 8.2378 BTC valued at \$335,089 that were not complete due to the ceasing of activities; these amounts have been included in other receivables (Note 6).

Management assessed the recoverability of these amounts based on current available information. Due to the nature of the assets, BTC is expected to be returned in full as depositor property. As at September 30, 2023, due to the uncertainty around ETH and non-depositor property, the balance of ETH of \$102,735 has been impaired to \$Nil and an allowance of \$335,089 was recorded to bad debt expense that related to the placed trades that did not complete. As at March 31, 2024, the balance of ETH remained at \$Nil as management's assessment of uncertainty around ETH has remained unchanged.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

6. AMOUNTS RECEIVABLE

The Company's amounts receivable is as follows:

	March 31, 2024		September 30, 2023	
Trade receivables	\$	196,096	\$	577,608
Sales taxes recoverable		1,918,945		1,918,939
Other receivables		37,556		35,000
Provision for doubtful accounts		(49,828)		(54,868)
	\$	2,102,769	\$	2,476,679

The following is the continuity of the Company's expected credit loss movement:

	March 31, 2024		September 30, 2023	
Opening balance	\$	54,868	\$	8,618
Bad debt expense (recovery) related to AR		(5,040)		381,339
Write-offs		-		(335,089)
	\$	49,828	\$	54,868

During the six months ended March 31, 2024, the Company recorded a net recovery of provision for doubtful accounts of \$5,040 for expected credit losses (September 30, 2023: \$46,250). The Company directly wrote off \$13,783 (2023: \$Nil) in accounts receivable. Included in bad debt expense for the year ended September 30, 2023 is \$335,089 related to failed BTC trades (Note 5).

In addition, based on management's analysis of the sales taxes recoverable, it was determined that a further provision of \$635,590 (March 31, 2023: \$Nil) was required to be expensed, to result in a net sales taxes recoverable of \$1,918,945.

7. AMOUNT RECOVERABLE

	March 31, 2024		September 30, 2023	
Amortized Cost				
Opening balance	\$	7,823,307	\$	7,823,307
Ending balance		7,823,307		7,823,307
Expected Credit Losses				
Opening balance	\$	1,377,056	\$	1,190,806
Interest income		(335,825)		(506,610)
Loss on modification		-		692,860
Ending balance	\$	1,041,231	\$	1,377,056
Net Amount Recoverable	\$	6,782,076	\$	6,446,251

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended March 31, 2024 and 2023

(Expressed in Canadian Dollars, except where indicated) (Unaudited)

8. MARKETABLE SECURITIES

Marketable securities are recorded at their fair value at the end of each reporting period. The fair values of the common shares of publicly traded companies have been directly referenced to published price quotations in an active market. A continuity of the Company's marketable securities is as follows:

	March 31, 2024	September 30, 2023
Fair value, opening	\$ 386,984	\$ 401,542
Gain (loss) on fair value change of marketable securities	111,043	(14,558)
	\$ 498,027	\$ 386,984

As at March 31, 2024, the Company holds 800,000 (September 30, 2023: 800,000) shares of INX Ltd. and 12,094 (September 30, 2023: 12,094) common shares of Marathon Digital Holdings, Inc. ("Marathon").

9. LONG-TERM DEPOSITS

	March 31, 2024	September 30, 2023
Security deposits	\$ 1,651,373	\$ 1,659,135
Deposits on mining equipment	17,036,250	1,597,189
	\$ 18,687,623	\$ 3,256,324

The Company has currently outstanding \$17,036,250 (USD \$12,572,878) (September 30, 2023 - \$1,597,189 (USD \$1,181,353)) relating to the purchase of miners. On December 18, 2018, the Company entered into an agreement under which \$2,202,605 was paid as a security deposit for the provision of utilities, interest bearing at approximately 3%. As at March 31, 2024, \$1,649,399 (September 30, 2023 - \$1,649,399) of these funds still remain and are included in security deposits and will be repaid when the Company ceases the use of the services. The remaining security deposits are for various lease agreements and will be repaid at the end of each lease agreement. The remaining deposits are non-interest-bearing. No expected credit losses have been recorded against the deposits, management believes that the deposits are held by large reputable companies and that there will be no issues recovering deposits when they become due.

10. CONVERTIBLE DEBENTURE

On July 2, 2021, the Company purchased a convertible debenture of BOSONIC Inc. ("Bosonic") for USD \$2,000,000. The convertible debenture is interest bearing at 5% per annum and matured on July 2, 2023. In the event that Bosonic raises at least USD \$15,000,000 in new capital, the debenture will automatically convert into common shares of BOSONIC Inc. at a conversion price equal to:

- The product of 0.75 and the lowest price per share paid in the financing; or
- The price per share obtained by dividing USD \$200,000,000 by the total number of common shares of Bosonic outstanding on a diluted basis.

As at September 30, 2022, management reviewed financial statements, internally generated forecasts of the company, and its business plan and concluded the likelihood of repayment of the note at maturity date was remote. As such, a decline in fair value of \$2,782,825 was recorded in the Company's profit and loss.

As at September 30, 2023, the Company advanced an additional \$202,725 (USD \$150,000) to Bosonic as the Company's management believes the intellectual property of Bosonic has important strategic value. However, due to the uncertain nature of its financial situation, the additional amount was written off to decline in fair value of investment, in the statement of loss. During the six months ended March 31, 2024, the Company advanced a further \$609,120 (USD \$450,000). The advance is non-interest bearing, and due on March 1, 2024. As at March 31, 2024, the fair value of the Bosonic note was \$Nil (September 30, 2023: \$Nil).

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10. CONVERTIBLE DEBENTURE (continued)

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the statements of financial position, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement
Bosonic Convertible Debenture	Market Approach (Level 3)	Internal forecasts, business plan, likelihood of repayment	The fair value is highly sensitive to the company's performance and likelihood of repayment, leading to a fair value of \$Nil.

The Company's investments in Bosonic are valued using the market approach, which falls under Level 3 of the fair value hierarchy. This approach involves using significant unobservable inputs including internally generated forecasts and business plans, as well as assessments of market conditions and likelihood of repayment. These inputs have a direct correlation with the fair value measurement, as they significantly influence the determination of fair value, especially in scenarios where the market presence is limited or non-existent. As of the reporting date, the fair value of both investments is assessed to be \$Nil due to the adverse conditions impacting the likelihood of recovery and market conditions.

11. ASSETS HELD FOR SALE

During the year ending September 30, 2023, the Company purchased \$3,451,024 in Bitcoin mining hardware and related equipment with the intention of installing the miners at the Company's facility. Due to the delay in expansion of the Christina Lake facility, the miners installation of the miners would be delayed. The decision to classify these assets as held for sale is based on our strategic plan to optimize operations and reallocate resources.

During the six months ended March 31, 2024, the Company purchased \$287,608 in Bitcoin mining hardware and related equipment with the intention of installing the miners at the Company's Christina Lake facility. The sale of assets is expected to be completed within the next financial year, and the proceeds will be reinvested in the business to enhance operational efficiency and be used for other corporate purposes. During the six months ended March 31, 2024, the Company sold \$36,166 in mining equipment for proceeds of \$40,975 resulting in a gain on sale of \$4,809, the proceeds for the sale is included in amounts receivable. At March 31, 2024, the Company had \$3,702,466 (2023: 3,451,024) in assets held for sale.

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12. PROPERTY AND EQUIPMENT

COST	Land	Construction in Progress (CIP)	Power Substation	Data Centre	Computer and mining equipment	Furniture and other equipment	Motor Vehicle	Right of use Assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at September 30, 2022	2,341,569	410,928	3,627,008	12,107,826	63,593,397	231,592	12,747	514,980	82,840,047
Additions	-	1,556,181	-	238,667	10,097,815	42,821	-	(2,386)	12,037,645
Disposals	-	(4,829)	-	-	-	-	-	-	(4,829)
Reclassification from CIP	-	(476,781)	232,391	187,555	-	63,585	-	(6,750)	-
Reclassification to Assets held for sale	-	-	-	-	(710,835)	-	-	-	(710,835)
Other adjustments	-	-	-	-	(37,469)	-	-	(226,165)	(263,634)
As at September 30, 2023	2,341,569	1,485,499	3,859,399	12,534,048	72,942,908	337,998	12,747	279,679	93,793,847
Additions	-	3,121,530	-	137,754	22,318	3,240	-	96,721	3,381,563
Disposals	-	-	-	-	-	-	-	(55,880)	(55,880)
Reclassification from CIP	-	(152,649)	-	205,610	-	24,361	-	(77,322)	-
Other adjustments	-	-	-	(3,415)	-	-	-	-	(3,415)
As at March 31, 2024	2,341,569	4,454,380	3,859,399	12,873,997	72,965,226	365,599	12,747	243,198	97,116,115
ACCUMULATED DEPRECIATION									
As at September 30, 2022	-	-	548,044	3,101,744	20,741,569	47,461	5,066	312,734	24,756,618
Depreciation	-	-	127,795	703,996	20,971,314	43,897	2,012	53,268	21,902,282
Reclassification	-	-	57,495	(57,495)	-	-	-	-	-
Other adjustments	-	-	-	-	(37,469)	-	-	(226,169)	(263,639)
As at September 30, 2023	-	-	733,334	3,748,245	41,675,414	91,358	7,078	139,833	46,395,262
Depreciation	-	-	62,003	367,480	7,670,193	23,837	799	23,458	8,147,770
Disposals	-	-	-	-	-	-	-	(55,880)	(55,880)
Reclassification	-	-	-	30,301	-	23,163	-	(53,464)	-
Other adjustments	-	-	-	(3,415)	-	-	-	-	(3,415)
As at March 31, 2024	-	-	795,337	4,142,611	49,345,607	138,358	7,877	53,947	54,483,737
NET BOOK VALUE									
As at September 30, 2023	2,341,569	1,485,499	3,126,065	8,785,803	31,267,494	246,640	5,669	139,846	47,398,585
As at March 31, 2024	2,341,569	4,454,380	3,064,062	8,731,386	23,619,619	227,241	4,870	189,251	42,632,378

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13. LONG-TERM INVESTMENTS

	March 31, 2024	September 30, 2023
	\$	\$
Other	45,000	45,000
	\$ 45,000	\$ 45,000

On June 2, 2021, the Company purchased 8,000,000 units of Brane Inc. for \$3,000,000, representing a non-controlling interest in Brane Inc. Each unit consists of one common share and one warrant. Management has reviewed financial statements, internally generated forecasts of the company, and its business plan and concluded on September 30, 2022 that the value of the investment was \$Nil. As such, a decline in the fair value of \$3,000,000 in the Company's consolidated statements of loss and comprehensive loss during the year ended September 30, 2022.

During the six months ended March 31, 2024, management assessed based on available information that there was no change to the value of the Brane Inc. investment of \$Nil (September 30, 2023: \$Nil).

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the statements of financial position, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-relationship Between Significant Unobservable Inputs and Fair Value Measurement
Brane Inc (Equity Investment - Common Share and Warrant)	Market Approach (Level 3)	Internal forecasts, business plan, market conditions	The fair value is influenced by internal and market assessments, resulting in a fair value of \$Nil.

The Company's investments in Brane are valued using the market approach, which falls under Level 3 of the fair value hierarchy. This approach involves using significant unobservable inputs including internally generated forecasts and business plans, as well as assessments of market conditions and likelihood of repayment. These inputs have a direct correlation with the fair value measurement, as they significantly influence the determination of fair value, especially in scenarios where the market presence is limited or non-existent. As at the reporting date, the fair value of both investments is assessed to be \$Nil due to the adverse conditions impacting the likelihood of recovery and market conditions.

14. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	March 31, 2024	September 30, 2023
Trade payables and accrued liabilities	\$ 4,944,124	\$ 3,287,422
Trade payables and accrued liabilities - related parties (Note 18)	434,636	573,402
Provincial sales taxes payable	12,808	194,291
Refundable customer deposits on contracts	6,826	113,331
Interest payable (Note 16)	9,979	9,658
	\$ 5,408,373	\$ 4,178,104

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14. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables is a legal expense accrual of \$136,374 (September 30, 2023: \$136,374) that relates to a provision for a legal claim from a former customer. The legal expense accrual represents the maximum amount the Company expects to pay if it is found liable in the claim.

15. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of leases for office space, vehicles and equipment. The leases bear interest ranging from 5.09% to 28.28% per annum and expiry dates for these leases range from April 2024 to November 2026. The related lease liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of that date.

At March 31, 2024 and September 30, 2023, the Company's lease liability related to office leases is as follows:

Lease liability		March 31, 2024		September 30, 2023
Current portion	\$	57,014	\$	50,555
Long-term portion		71,873		41,202
	\$	128,887	\$	91,758

At March 31, 2024 and September 30, 2023, the Company is committed to minimum undiscounted lease payments as follows:

Maturity analysis		March 31, 2024		September 30, 2023
Less than one year	\$	65,110	\$	59,636
One to five years		76,971		46,320
More than five years		-		-
Total undiscounted lease liabilities	\$	142,081	\$	105,956

Recognized in the consolidated statements of loss and comprehensive loss		March 31, 2024		March 31, 2023
Interest on lease liabilities (included in general and administrative expenses)	\$	6,596	\$	12,011

Recognized in the statement of cash flows		March 31, 2024		March 31, 2023
Principal payments on lease liabilities	\$	61,187	\$	102,973
Total cash outflows for leases	\$	61,187	\$	102,973

16. LOANS PAYABLE

		Face value		Carrying value
Balance, September 30, 2022	\$	291,881	\$	291,881
Loan proceeds		1,000,000		1,000,000
Transaction costs		-		(49,335)
Accretion		-		29,851
As at September 30, 2023	\$	1,291,881	\$	1,272,397
Loan proceeds		10,791,288		10,791,288
Repayment of principal		(1,668)		(1,668)
Accretion		-		16,676
Foreign exchange gain		48,961		48,961
As at March 31, 2024	\$	12,130,462	\$	12,127,654
Current portion		12,130,462		12,127,654
Long-term portion		-		-

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16. LOANS PAYABLE (continued)

On February 13, 2019, the Company issued a promissory note in the amount of \$291,881 to Polyphase Capital LLC. The promissory note bears no interest and is unsecured. The repayment of the note is dependent on the receipt of a Goods and Services Tax (GST) refund of the same amount by the Company on behalf of Polyphase Capital LLC from the Canada Revenue Agency.

As at March 31, 2024, the Company had a loan of \$1,000,000 (2023: \$1,000,000) outstanding. The loan is interest bearing, determined as the greater of 7.00% per annum or at a variable rate of prime plus 4.55% per annum, for a term of 18 months. Interest is payable monthly, and the principal balance is due on the maturity date. The loan is secured against the Company's office located in Delta, BC. Subsequent to the period end, the Company renegotiated an extension on the loan (Note 25).

On January 30, 2024, the Company entered into a loan agreement with Sygnum Bank AG ("Sygnum") for a Lombard loan of up to \$9,000,000 USD. The loan is interest bearing at 7.8% for an indefinite term. The loan is secured against the Company's digital currency assets of 237.80 BTC (Note 5), which are pledged and deposited with Sygnum. Because the collateral is subject to fluctuations in value, the Company may be required to provide additional collateral in order to restore the security margin on the loan. As at March 31, 2024, \$10,789,620 (\$7,988,953 USD) of the loan was outstanding.

During the six months ended March 31, 2024, the Company incurred interest expense of \$178,656 (2023: \$44,870) which is recorded as finance costs under general and administrative expenses. Of this amount, \$9,979 was still owing as at March 31, 2024 (September 30, 2023 - \$9,658).

The current portion of the carrying amount represents the total deferred transaction costs that will be accreted over the following 12 months.

17. SHARE CAPITAL AND RESERVES

a) Share capital

Authorized: unlimited Class A common shares without par value, and unlimited Class B preferred shares without par value.

Share capital activity for the six months ended March 31, 2024

During the six months ended March 31, 2024, the Company issued 1,336,250 common shares in connection with the exercise of stock options for proceeds of \$438,024. As a result, \$562,123 has been reclassified from share-based payment reserve to share capital.

Share capital activity for the six months ended March 31, 2023

During the six months ended March 31, 2023, the Company issued 425,000 common shares in connection with the exercise of stock options for proceeds of \$63,750. As a result, \$33,076 has been reclassified from share-based payment reserve to share capital.

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17. SHARE CAPITAL AND RESERVES (continued)

b) Stock options

Stock option activity for the six months ended March 31, 2024

On December 20, 2023, the Company granted 1,167,770 stock options to employees, directors, and officers of the Company. The options are exercisable at \$0.53 per option expiring on December 20, 2028. These options had a fair value of \$0.45 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.53; ii) share price: \$0.51; iii) term: 5.00 years; iv) volatility: 135%; v) risk free rate: 3.28%. The options vest 25% on each of the following: June 20, 2024, December 20, 2024, June 20, 2025, and December 20, 2025. A portion of the vested value of these options was included in stock-based compensation and reserves for the six months ended March 31, 2024.

On March 20, 2024, the Company granted 1,184,430 stock options to employees, directors, and officers of the Company. The options are exercisable at \$0.58 per option expiring on March 20, 2029. These options had a fair value of \$0.49 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.58; ii) share price: \$0.56; iii) term: 5.00 years; iv) volatility: 136%; v) risk free rate: 3.57%. The options vest 25% on each of the following: September 20, 2024, March 20, 2025, September 20, 2025, and March 20, 2026. A portion of the vested value of these options was included in stock-based compensation and reserves for the six months ended March 31, 2024.

Stock option activity for the six months ended March 31, 2023

On December 22, 2022, the Company granted 914,800 stock options to employees, directors, and officers of the Company. The options are exercisable at \$0.18 per option expiring on December 22, 2027. These options had a fair value of \$0.15 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.18; ii) share price: \$0.17; iii) term: 5.00 years; iv) volatility: 135%; v) risk free rate: 3.28%. The options vest 25% on each of the following: June 22, 2023, December 22, 2023, June 22, 2024, and December 22, 2024. A portion of the vested value of these options was included in stock-based compensation and reserves for the six months ended March 31, 2023.

On January 5, 2023, the Company granted 200,000 stock options to employees, directors, and officers of the Company. The options are exercisable at \$0.17 per option expiring on January 5, 2028. These options had a fair value of \$0.14 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.17; ii) share price: \$0.16; iii) term: 5.00 years; iv) volatility: 136%; v) risk free rate: 3.47%. The options vest 25% on each of the following: June 5, 2023, January 5, 2024, June 5, 2024, and January 5, 2025. A portion of the vested value of these options was included in stock-based compensation and reserves for the six months ended March 31, 2023.

On March 31, 2023, the Company granted 1,072,050 stock options to employees, directors, and officers of the Company. The options are exercisable at \$0.32 per option expiring on March 31, 2028. These options had a fair value of \$0.27 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.32; ii) share price: \$0.31; iii) term: 5.00 years; iv) volatility: 137%; v) risk free rate: 3.12%. The options vest 25% on each of the following: September 30, 2023, March 31, 2024, September 30, 2024 and March 31, 2025. A portion of the vested value of these options was included in stock-based compensation and reserves for the six months ended March 31, 2023.

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17. SHARE CAPITAL AND RESERVES (continued)

The following table summarizes the share-based compensation in the period:

Grant date	Share-based compensation recognized	
	March 31, 2024	March 31, 2023
	\$	\$
November 30, 2021	35,031	403,441
May 9, 2022	42,775	251,391
August 22, 2022	14,502	52,631
September 30, 2022	49,120	185,471
December 22, 2022	26,235	38,432
January 5, 2023	5,976	6,843
March 31, 2023	76,497	-
April 26, 2023	17,318	-
June 30, 2023	175,359	-
September 20, 2023	153,912	-
December 20, 2023	151,503	-
March 30, 2024	18,274	-
Total	766,502	938,209

The Black-Scholes model utilized the following inputs to value the options granted:

	March 31, 2024	March 31, 2023
Risk free interest rate	3.28-3.57%	3.12-3.47%
Expected term (years)	5	5
Expected volatility	135-136%	135-137%
Expected dividends	0%	0%

The following table discloses the weighted average exercise price and life remaining:

	Options outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2022	13,050,845	0.77	2.71
Issued	5,305,486	0.29	
Expired	(457,691)	1.51	
Exercised	(786,438)	0.23	
Cancelled / Forfeited	(1,325,463)	0.43	
Balance, September 30, 2023	15,786,740	0.53	2.83
Issued	2,352,200	0.56	
Expired	(900,000)	1.06	
Exercised	(1,336,250)	0.33	
Cancelled / Forfeited	(619,208)	0.33	
Balance, March 31, 2024	15,283,482	0.53	3.00

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17. SHARE CAPITAL AND RESERVES (continued)

The following table discloses the number of options outstanding as at March 31, 2024:

Number of options	Price per share	Expiry Date	Number of options vested
962,000	\$1.41	April 26, 2024	962,000
333,946	\$0.33	April 26, 2024	333,946
790,000	\$0.84	July 28, 2024	790,000
435,000	\$0.33	July 28, 2024	435,000
1,515,855	\$1.20	November 30, 2024	1,515,855
215,855	\$0.33	November 30, 2024	215,855
1,762,500	\$0.39	May 9, 2027	1,256,250
400,000	\$0.33	August 22, 2027	300,000
1,510,000	\$0.25	September 30, 2027	1,104,375
823,300	\$0.18	December 22, 2027	380,400
200,000	\$0.17	January 5, 2028	100,000
1,009,550	\$0.32	March 31, 2028	489,150
213,736	\$0.31	April 26, 2028	53,434
1,560,605	\$0.33	June 30, 2028	353,278
1,203,935	\$0.29	September 20, 2028	301,610
1,162,770	\$0.53	December 20, 2028	-
1,184,430	\$0.58	March 20, 2029	-
15,253,482			8,591,153

c) Warrants

Warrant activity for the six months ended March 31, 2024:

	Warrants outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2022	37,407,443	2.18	1.50
Expired	(933,429)	0.22	
Balance, September 30, 2023	36,474,014	2.24	0.53
Expired	(12,950,000)	3.57	
Balance, March 31, 2024	23,524,014	1.50	0.09

The following table discloses the number of warrants outstanding as at March 31, 2024:

Number of warrants	Exercise price per share	Expiry Date
	\$	
22,297,644	1.50	May 3, 2024
1,226,370	1.58	May 3, 2024
23,524,014		

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17. SHARE CAPITAL AND RESERVES (continued)**d) Earnings (loss) per share**

Basic earnings per share is calculated by dividing the income attributable to equity owners of the Company by the weighted average number of shares in issue during the period.

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Net income (loss) for the period	2,215	(3,839,409)	6,974,705	(9,427,153)
Weighted average number of shares	169,029,065	167,681,377	168,585,910	167,599,591
Basic earnings (loss) per share	0.00	(0.02)	0.04	(0.06)

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Potentially dilutive shares relate to the exercise of outstanding stock options and warrants. There was no effect of dilutive instruments in the three and six months ended March 31, 2023.

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Net income (loss) for the period	2,215	(3,839,409)	6,974,705	(9,427,153)
Weighted average number of shares	169,029,065	167,681,377	168,585,910	167,599,591
Effect of dilutive securities:				
Stock options	3,487,363	-	4,662,250	-
Warrants	-	-	-	-
Weighted average diluted shares outstanding	172,516,428	167,681,377	173,248,160	167,599,591
Diluted earnings (loss) per share	0.00	(0.02)	0.04	(0.06)

18. RELATED PARTY TRANSACTIONS AND BALANCES**(a) Key management compensation and other related party transactions**

Key management includes personnel having the authority and responsibility for planning, directing, and controlling the Company and includes the directors and current executive officers. The value of transactions and outstanding balances relating to key management and entities over which key management has control or significant influence were as follows:

	For the six months ended March 31,	
	2024	2023
Salaries, wages, and benefits	\$ 982,392	\$ 615,002
Consulting services	216,544	215,424
Share-based compensation	706,988	784,846
Total	\$ 1,905,924	\$ 1,615,272

(b) Related party balances

As at March 31, 2024, \$434,636 (September 30, 2023 – \$573,402) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

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19. REVENUE

The Company's revenue is comprised of the following:

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Digital currency mining	10,885,159	7,805,595	20,661,513	14,476,988
Mining equipment hosting and set up service	282,876	366,669	654,968	830,988
Net pool revenue	(1,274,340)	(738,947)	(2,306,201)	(738,947)
Pool and other fees	-	98,925	-	103,534
Software license income	-	34,665	562,253	68,935
Other income	121,964	56,416	133,890	56,417
	10,015,659	7,623,323	19,706,423	14,797,915

Net Pool Revenue is earned from the operation of crypto-currency mining pools and shows the net pool revenue less the pool payouts. During the six months ended March 31, 2024, this resulted in a net loss of \$2,306,201 as the pool payouts exceeded the revenue.

During the six months ended March 31, 2024, the Company earned \$562,253 as software license income related to the termination of a software license agreement with Marathon. The Company had \$396,780 (USD \$300,000) in outstanding accounts receivable from Marathon related to the agreement. Marathon agreed to pay USD \$450,000 and USD \$150,000 in Marathon's common stock to settle the outstanding accounts receivable and as compensation for early termination of the agreement. During the six months ended March 31, 2024, the Company received USD \$715,934 in cash as the full settlement, as such, \$562,253 has been recorded as income.

The Company's deferred revenue consists of the following:

		As at	
		March 31, 2024	September 30, 2023
Unearned revenue on hosting agreements	\$	63,712	\$ 64,361
	\$	63,712	\$ 64,361

20. EXPENSES

a) Operating and Maintenance Costs

The Company's operating and maintenance costs are comprised of the following:

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Utilities	4,896,940	4,291,816	9,505,362	8,444,322
Wages, contractors and other	373,911	303,082	913,140	559,368
	5,270,851	4,594,898	10,418,502	9,003,690

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20. EXPENSES (continued)

b) General and Administrative

The Company's general and administrative costs are comprised of the following:

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Consulting	266,400	104,794	400,126	181,553
General and administrative office expenses	23,141	8,018	47,823	30,452
Marketing, investor and public relations	39,000	20,299	59,777	64,693
Interest and bank charges	163,230	42,304	206,373	72,895
Insurance	37,375	32,681	64,850	64,418
Travel and entertainment	23,451	12,408	48,675	25,747
Professional fees	330,513	156,718	560,745	369,150
Regulatory and filing	53,778	6,070	96,919	41,448
Wages	909,510	393,650	1,247,171	874,522
	1,846,398	776,942	2,732,459	1,724,878

c) Research

Research costs incurred comprised of salaries of software developers involved in the research of existing and new crypto currency related tools and services.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue operating as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in equity as capital. The Company manages the capital structure and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to identify and evaluate potential acquisitions and business opportunities for the Company. To secure the additional capital necessary to pursue these plans, the Company may raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES

(a) Fair values of financial instruments and digital currencies measured at fair value on a recurring basis.

	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
March 31, 2024				
Marketable securities	\$ 498,027	\$ -	\$ -	\$ 498,027
Digital currencies	\$ -	\$ 41,966,494	\$ -	\$ 41,966,494
Long-term investments	\$ -	\$ -	\$ 45,000	\$ 45,000
September 30, 2023				
Marketable securities	\$ 386,984	\$ -	\$ -	\$ 386,984
Digital currencies	\$ -	\$ 17,142,683	\$ -	\$ 17,142,683
Long-term investments	\$ -	\$ -	\$ 45,000	\$ 45,000

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22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (continued)

The Company has determined the estimated fair value of its financial instruments and digital currencies, if any, based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. The fair values of the Company's financial instruments and digital currencies, if any, are not materially different from their carrying values.

Financial instruments and digital currencies that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's cash and marketable securities are categorized as Level 1. The long-term investments and convertible debentures in unlisted private companies are measured using Level 3 inputs based on prices in recent financings. Digital currencies are measured using Level 2 inputs where the source represents an average of quoted prices on multiple digital currency exchanges. No financial instruments or digital currencies have been transferred between levels during the year.

b) Management of Industry and Financial Risk

The Company's financial instruments and digital currencies are exposed to certain financial risks, which include the following:

Digital Currency Risk

The Company relies on transaction validation services using equipment to earn digital currency. A decline in the market prices of digital currencies could negatively impact the profitability of equipment. The digital asset mining industry has seen rapid growth and innovation, and the Company may be unable to compete effectively. Innovation in technologies could render the Company's technology obsolete.

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital currencies. The Company may not be able to liquidate its digital currencies at its desired price if required. Digital currencies have a limited history, their fair values have historically been volatile and the value of digital currencies held by the Company could decline rapidly. A 40% variance in price of bitcoin and ethereum would impact the Company's comprehensive net income by \$16,787,000 (March 31, 2023: \$6,726,000) and \$Nil (March 31, 2023: \$44,000) respectively (rounded to the nearest thousand). Historical performance of digital currencies is not indicative of their future performance. There is also a risk that a significant decrease in the value of digital currencies could trigger a margin call on the Company's loan with Sygnium bank.

Credit Risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company has exposure to credit risk through its cash and cash equivalents, amounts receivable, amounts recoverable and due from related parties. The Company manages credit risk, in respect of cash and cash equivalents and marketable securities, by maintaining the majority of cash at highly rated financial institutions.

The Company is not exposed to a concentration of credit risk with respect to its trade accounts receivable balance as the Company continues to move away from hosting customers. The Company records an allowance against its trade receivables when there is uncertainty over collection of this amount. All balances due are expected to be settled partially or in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

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22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (continued)

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the condensed consolidated interim statements of financial position. At March 31, 2024, no amounts were held as collateral.

The Company's aging of trade receivables was as follows:

	March 31, 2024	September 30, 2023
Current	\$48,869	\$11,722
31- 60 days	16,047	8,408
61 - 90 days	15,264	10,173
91+ days	115,916	547,305
Total	\$196,096	\$577,608

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at March 31, 2024, the Company has a working capital of \$32,555,382 (September 30, 2023: \$19,875,378) and does not require any additional financing to meet short-term operating requirements. The Company's cash is held with large Canadian financial institutions and is available on demand. If there are additional cash requirements, the Company has the option to liquidate digital currencies to meet operating needs. These digital currencies are subject to fluctuations in the market price of digital currencies. The current value of these assets as at March 31, 2024 is \$41,966,494 (September 30, 2023: \$17,142,683). In the event where the Company cannot rely upon the liquidation of digital currencies to meet operating needs, the Company will have to explore debt financing opportunities of which there is no guarantee of the receipt of funds to cover operations.

For the period ended, March 31, 2024:

	Within 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
	\$	\$	\$	\$
Trade payables and accrued liabilities	5,408,373	-	-	-
Lease obligations	57,014	40,848	31,026	-
Loan payable	12,130,462	-	-	-
Total	17,595,849	40,848	31,026	-

For the period ended, September 30, 2023:

	Within 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
	\$	\$	\$	\$
Trade payables and accrued liabilities	4,178,104	-	-	-
Lease obligations	59,636	46,320	-	-
Loan payable	1,291,881	-	-	-
Total	5,529,621	46,320	-	-

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. These are discussed further below.

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22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its loans payable and accounts payable. The interest rate on the loans payable is fixed, and the accounts payable are not subject to any interest. A 10% change in the interest rate would not result in a nominal impact on the Company's operations.

Foreign Currency Risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments and digital currencies will fluctuate because of changes in foreign exchange rates. In addition, the Company mines bitcoin which has a market value stated in US dollars. Exchange rate fluctuations affect the costs that the Company incurs in its operations.

The Company's presentation currency is the Canadian dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the entity's functional currency. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. As at March 31, 2024, the Company held net financial assets of \$1,679,102 (September 30, 2023: \$1,642,276) denominated in US dollars (US\$1,239,190). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately \$168,000 (2023: \$165,000).

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to price risk through its holding of digital currencies. As at September 30, 2023, the Company held bitcoin and ether which have a limited history and historically prices have been volatile. A significant change to the price of bitcoin may affect the Company's ability to liquidate digital currencies. A 40% variance in price of these digital currencies would impact the Company's comprehensive net loss by \$16,787,000 (March 31, 2023: \$6,726,000) and \$Nil (March 31, 2023: \$44,000) respectively (rounded to the nearest thousand). The Company is not exposed to any other significant price risks with respect to its financial instruments other than its marketable securities and long-term investment which are measured at fair value totaling \$543,027. A 20% change in the market price would result in a change in the net loss for the period of approximately \$109,000 (March 31, 2023: \$70,344).

23. CONTINGENCIES

In the normal conduct of operations, there are other pending claims by and against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, the final determination of these other litigations will not materially affect the Company's financial position or results of operations.

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24. SUPPLEMENTAL CASH FLOW INFORMATION

This note provides supplemental information about the company's cash flow for the fiscal year. The amounts detail non-cash transactions and other significant items that do not involve actual cash flow but are essential for understanding the company's financial position.

	For the six months ended March 31,	
	2024	2023
	\$	\$
Receipt of equipment purchased through deposits in the prior year	1,561,221	6,258,798
Interest paid	179,754	35,274
Interest income	452,628	235,232

25. SUBSEQUENT EVENTS

On April 17, 2024, the Company extended the term of its loan payable with a principal balance of \$1,000,000 from April 30, 2024 to July 31, 2024 for an additional fee of \$2,500.

Subsequent to March 31, 2024, the Company issued 355,000 shares related to the exercise of options for proceeds of \$117,150.

Subsequent to March 31, 2024, 23,524,014 share purchase warrants expired unexercised.