

DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended June 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2022**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

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

DMG Blockchain Solutions Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	As at June 30, 2022 (unaudited) \$	As at September 30, 2021 (audited) \$
ASSETS			
Current			
Cash and cash equivalents		1,236,605	19,686,777
Amounts receivable	6	5,314,627	3,300,563
Digital currency	5	10,670,572	17,925,942
Prepaid expense and other current assets		151,336	426,600
Current portion of lease receivable		73,381	140,624
Amount recoverable	9	-	7,823,307
Marketable securities	7	411,220	486,615
Total current assets		17,857,741	49,790,428
Long-term deposits	8	20,527,227	24,368,883
Property and equipment	10	55,849,543	31,195,930
Long-term portion of lease receivable		-	36,312
Intangible assets		16,362	58,487
Long-term investments	11	5,803,388	5,677,650
Amount recoverable	9	6,561,977	-
Total assets		106,616,238	111,127,690
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	12	4,317,986	4,123,241
Deferred revenue	15	1,177,029	1,151,496
Current portion of lease liability		148,783	173,372
Current portion of loans payable		291,880	291,881
Total current liabilities		5,935,678	5,739,990
Long-term lease liability		38,380	72,974
Total liabilities		5,974,058	5,812,964
Shareholders' Equity			
Share capital	13(a)	110,381,441	110,099,851
Reserves	13(b)(c)	43,409,277	41,057,232
Obligation to issue shares		-	7,538
Accumulated other comprehensive income		50,238	209,501
Accumulated deficit		(53,198,776)	(46,059,396)
Total shareholders' equity		100,642,180	105,314,726
Total liabilities and shareholders' equity		106,616,238	111,127,690
Contingencies	19		
Commitments	21		
Subsequent event	22		

Approved on Behalf of the Board of Directors on August 29, 2022:

/s/ Steven Eliscu
Director

/s/ Sheldon Bennett
Director

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

DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars) (Unaudited)

	Notes	For the Three Months Ended		For the Nine Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		\$	\$	\$	\$
Revenue	15	10,529,315	1,703,962	36,795,637	6,201,349
Expenses					
Operating and maintenance costs	16	3,568,483	1,787,198	9,563,621	5,005,277
General and administrative		930,172	1,102,492	2,603,587	3,034,842
Stock-based compensation		574,419	1,772,410	2,527,097	2,494,142
Research		553,509	73,111	1,892,067	163,162
Provision for doubtful accounts		6,009	6,182	33,730	13,051
Depreciation	10	5,531,655	228,096	13,836,891	723,994
Amortization of intangible assets		262	51,214	42,125	153,637
Total expenses		11,164,509	5,020,703	30,499,118	11,588,105
Income (loss) before other items		(635,194)	(3,316,741)	6,296,519	(5,460,455)
Other income (expense)					
Gain (loss) on disposition of assets		1,154,776	(60,318)	1,156,564	1,335,263
Foreign exchange gain (loss)		221,198	(199,653)	(126,003)	(386,885)
Gain on write-down of accounts payable	12	-	-	2,050,827	-
Loss on settlement of legal claims		(30,000)	-	(30,000)	-
Impairment of amounts recoverable	9	(1,261,330)	-	(1,261,330)	-
Unrealized revaluation loss on digital currency	5	(8,089,448)	(4,686,205)	(8,089,448)	(4,686,205)
Realized gain (loss) on sale of digital currency		(2,909,548)	-	(6,061,114)	167,362
Loss on change in fair value of marketable securities		(683,179)	(159,336)	(1,075,395)	(159,336)
Net loss		(12,232,725)	(8,422,253)	(7,139,380)	(9,116,557)
Other comprehensive income					
Items that may be reclassified subsequently to income or loss:					
Unrealized revaluation loss on digital currency	5	(2,611,125)	-	(107,705)	-
Cumulative translation adjustment		(114,004)	57,754	(51,558)	(106,806)
Comprehensive loss		(14,957,854)	(8,364,499)	(7,298,643)	(9,223,363)
Net loss attributable to:					
Shareholders		(12,232,725)	(8,422,253)	(7,139,380)	(9,113,832)
Non-controlling interest		-	-	-	(2,725)
Basic and diluted loss per share	13(d)	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.07)
Weighted average number of shares outstanding	13(d)				
- basic and diluted		167,254,729	159,639,315	167,156,536	125,891,707

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	Obligation to issue shares	Accumulated deficit	AOCI	Non- Controlling Interest	Total
		\$	\$	\$	\$	\$	\$	\$
Balance, September 30, 2020	100,344,414	43,287,828	6,349,923	-	(32,703,841)	300,819	(2,314,073)	14,920,656
Units issued for cash	51,515,713	66,573,816	32,521,622	-	-	-	-	99,095,438
Share issuance costs	-	(10,375,205)	3,757,495	-	-	-	-	(6,617,710)
Shares issued on exercise of options	6,364,647	3,948,081	(1,919,686)	-	-	-	-	2,028,395
Shares issued on exercise of warrants	6,271,169	4,719,365	(3,517,488)	-	-	-	-	1,201,877
Conversion of DMG US Class B common shares	1,861,564	1,489,077	-	-	(3,805,875)	-	2,316,798	-
Share-based compensation expense recognized	-	-	2,494,142	-	-	-	-	2,494,142
Net loss and comprehensive loss for the period	-	-	-	-	(9,113,832)	(106,806)	(2,725)	(9,223,363)
Balance, June 30, 2021	166,357,507	109,642,962	39,686,008	-	(45,623,548)	194,013	-	103,899,435
Balance, September 30, 2021	166,887,002	110,099,851	41,057,232	7,538	(46,059,396)	209,501	-	105,314,726
Share-based compensation expense recognized	-	-	2,527,097	-	-	-	-	2,527,097
Shares issued on exercise of options	110,000	73,029	(29,029)	-	-	-	-	44,000
Shares issued on exercise of warrants	259,375	208,561	(146,023)	(7,538)	-	-	-	55,000
Unrealized loss on digital currency revaluation	-	-	-	-	-	(107,705)	-	(107,705)
Net loss and comprehensive loss for the period	-	-	-	-	(7,139,380)	(51,558)	-	(7,190,938)
Balance June 30, 2022	167,256,377	110,381,441	43,409,277	-	(53,198,776)	50,238	-	100,642,180

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 Nine Months Ended	
	June 30, 2022	June 30, 2021
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(7,139,380)	(9,116,557)
Non-cash items:		
Accretion	6,777	8,463
Amortization of intangible assets	42,125	153,637
Depreciation	13,836,891	723,994
Share-based payments	2,527,097	2,494,142
Unrealized loss (gain) on revaluation of digital currency	8,089,448	(4,686,205)
Unrealized foreign exchange loss	22,127	-
Gain on sale of assets	(1,156,564)	(1,335,264)
Gain on write-down of accounts payable	(2,050,827)	-
Unrealized loss on marketable securities	1,075,395	159,337
Lease expense	-	17,108
Impairment of amounts recoverable	1,261,330	-
Bad debt expense	33,730	13,051
Digital currency mining revenue	(31,935,210)	(1,109,655)
Non-cash interest income	(3,588)	-
Accrued interest	(98,672)	(7,527)
Changes in non-cash operating working capital:		
Prepaid expenses and other current assets	250,598	1,189,577
Amounts receivable	(3,240,121)	(630,226)
Deferred revenue	25,533	419,893
Trade and other payables	3,731,015	(459,068)
Digital currencies	5,661,116	(4,366,152)
Net cash used in operating activities	(9,061,180)	(16,531,452)
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,193,256)	(266,791)
Deposits on mining equipment	(34,363,490)	(31,018,010)
Purchase of investment receivable	-	(4,000,000)
Proceeds on sale of equipment	3,678,311	4,451,061
Refund of security deposit	100,498	-
Proceeds from sublease	109,582	103,639
Digital currency sold	25,336,093	(119,289)
Net cash used in investing activities	(9,332,262)	(30,849,390)
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	99,095,438
Share issuance costs	-	(6,617,710)
Proceeds from option exercises	44,000	2,028,395
Proceeds from warrant exercise	55,000	1,201,877
Principal lease payments	(155,850)	-
Repayment of loans payable	-	(1,943,810)
Net cash provided by (used in) financing activities	(56,850)	93,764,190
Impact of currency translation on cash	120	4,429
Change in cash	(18,450,172)	46,383,348
Cash, beginning	19,686,777	1,073,838
Cash, end	1,236,605	47,461,615

Supplemental cash flow information (Note 20)

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 Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (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 795 Highway 395, Christina Lake, B.C. V0H 1E0. 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 involved in server hosting and other similar service arrangements for the transaction verification services business and software solutions. The Company is also involved in research and development of technology solutions related to 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, 2021, annual audited 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.

b) *Basis of consolidation*

These unaudited 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. Intercompany balances, transactions, income, and expense are eliminated and gains or losses on intercompany transactions are eliminated. Where the Company does not own 100% of the subsidiary or associate, non-controlling interest is classified as a component of equity. The accounting policies of subsidiaries are the same as those of the Company.

Principal subsidiaries	Percentage ownership		Country of incorporation
	December 31, 2021	September 30, 2021	
DMG-US, Inc.	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

c) *Basis of measurement*

The functional currency of DMG parent and DMG-US, Inc. is the Canadian dollar. The functional currency of 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 reporting currency used in preparation of these interim 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 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.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (Unaudited)

2. BASIS OF PRESENTATION (Continued)

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) COVID-19

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

e) New 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 is not expected to have a significant impact on the preparation of financial statements.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The amendments clarify when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. – costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on or after January 1, 2022, and is not expected to have a significant impact.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (Unaudited)

2. BASIS OF PRESENTATION (Continued)

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. SIGNIFICANT 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, 2021 and have been consistently followed in the preparation of these condensed consolidated interim financial statements, except for the following:

Change in accounting estimate

Effective April 1, 2022, the Company revised its estimate of the method used in measuring the fair value of digital currencies from using the quoted price on “xe.com” to “Yahoo.com”. The change in accounting estimate was treated prospectively.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application 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 judgements were the same as those applied to the annual financial statements as at and for the year ended September 30, 2021, except for the following:

Estimates

Valuation of digital currencies

The Company currently holds bitcoin and ether as its digital currencies. Digital currencies are considered to be identifiable non-monetary assets without physical substance and are treated as intangible assets not subject to amortization, under the scope of IAS 38 Intangible Assets.

Digital currencies are measured at fair value using the quoted price on “Yahoo.com”. Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. Digital currencies are valued based on the closing price obtained from “Yahoo.com” at the reporting period corresponding to the different digital currencies mined by the Company. The Company considers the data available at “Yahoo.com” to be an accurate representation of fair value.

Judgements

Revenues from cryptocurrency mining and related service contracts

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly described as “crypto-currency mining”. As consideration for these services, the Company receives digital currency from each specific network in which it participates. Management has exercised significant judgement in determining the completion stage for this revenue stream and has examined various factors surrounding the substance of the Company’s operations and determined the stage of completion being the addition of a block to a blockchain. The value of the revenue is a significant judgement and is based on the value of the cryptocurrency earned at the date of addition, at the rates identified on Yahoo.com.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (Unaudited)

4. USE OF JUDGEMENTS AND ESTIMATES (Continued)

For hosting and other service contracts, the Company has determined that the substance of the service contracts is provision of services under IFRS 15 Revenue from Contracts with Customers. Revenue is recognized only when the amount of the contract and separate performance obligations are identified, the transaction can be measured reliably, the transaction price can be allocated to the performance obligations, and the performance obligation is satisfied. Accordingly, the Company has determined that revenue should be recognized as the provision of services under the contract is completed.

Determination of separate elements under the terms of the contract and completion of performance obligation may be subject to significant judgement exercised by management.

5. DIGITAL CURRENCY

Effective April 1, 2022, the Company revised the method used in measuring the fair value of digital currencies from using the quoted price on “xe.com” to “Yahoo.com”. The change in accounting estimate was treated prospectively. Management believes this change in accounting estimate represents the most accurate and fair view for the fair value of its digital currency.

At June 30, 2022 and September 30, 2021, 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” at the relevant dates.

The continuity of digital currencies is as follows:

	BTC		ETH		TOTAL
	Units	\$	Units	\$	\$
Balance, September 30, 2020	67.32	966,005	-	-	966,005
Digital currency mined	88.83	3,823,293	-	-	3,823,293
Digital currency received on settlement of amounts receivable and loans receivable	21.03	1,250,362	45.34	64,917	1,315,279
Digital currency purchased	218.08	14,967,000	-	-	14,967,000
Digital currency sold	(70.00)	(955,003)	-	-	(955,003)
Digital currency revaluation	-	(2,298,337)	-	107,705	(2,190,632)
Balance, September 30, 2021	325.26	17,753,320	45.34	172,622	17,925,942
Digital currency mined	591.54	31,935,210	-	-	31,935,210
Mining pool fees	7.94	400,107	-	-	400,107
Interest income	0.05	3,588	-	-	3,588
Digital currency sold	(508.22)	(31,397,206)	-	-	(31,397,206)
Digital currency revaluation	-	(8,086,821)	-	(110,332)	(8,197,153)
Exchange differences	-	84	-	-	84
Balance, June 30, 2022	416.57	10,608,282	45.34	62,290	10,670,572

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (Unaudited)

6. AMOUNTS RECEIVABLE

The Company's amounts receivable is as follows:

	June 30, 2022		September 30, 2021	
Trade receivables	\$	243,212	\$	1,303,032
Sales taxes recoverable		6,867,846		3,110,881
Shares receivable		-		1,000,000
Provision for doubtful accounts		(1,796,431)		(2,113,350)
	\$	5,314,627	\$	3,300,563

7. 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:

	June 30, 2022		September 30, 2021	
Fair value, opening	\$	486,615	\$	-
Shares of INX Ltd. received		1,000,000		625,300
Loss on fair value change of marketable securities		(1,075,395)		(138,685)
	\$	411,220	\$	486,615

During the nine months ended June 30, 2022, the Company received 800,000 shares of INX Ltd. reclassified from amounts receivable.

8. LONG-TERM DEPOSITS

	June 30, 2022		September 30, 2021	
Security deposits	\$	1,346,511	\$	1,447,009
Deposits on mining equipment		19,180,716		22,921,874
	\$	20,527,227	\$	24,368,883

9. AMOUNT RECOVERABLE

As of September 30, 2021, the Company advanced \$12,606,000 for the purchase of miners that could not be delivered. Of the total advanced, \$7,823,307 is remaining to be repaid as of June 30, 2022. Management has assessed the timing of the amount recoverable and determined that the total amount recoverable may not be realized for a period of two years at an estimate additional cost of \$300,000. The Company recorded an impairment on the amount recoverable of \$1,261,330 for the nine months ended June 30, 2022. The fair value of the amount recoverable as of June 30, 2022 was \$6,561,977.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022

(Expressed in Canadian Dollars) (Unaudited)

10. PROPERTY AND EQUIPMENT

COST	Land	Construction in Progress	Power Substation	Data Centre	Computer and mining equipment	Furniture and other equipment	Motor Vehicle	Right of use Assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at September 30, 2020	413,000	22,162	3,627,008	10,956,604	1,489,978	34,612	6,999	323,742	16,874,105
Additions	-	514,563	-	16,447	19,593,921	73,525	-	69,516	20,267,972
Disposals	-	(41,525)	-	(412,093)	(460,852)	-	-	(57,422)	(971,892)
Reclassification	-	(174,279)	-	174,279	-	-	-	-	-
As at September 30, 2021	413,000	320,921	3,627,008	10,735,237	20,623,047	108,139	6,999	335,836	36,170,187
Additions	1,928,569	523,166	-	879,595	35,042,841	24,717	5,748	87,457	38,492,093
Disposals	-	(1,591)	-	-	-	-	-	-	(1,591)
Reclassification	-	(549,811)	-	453,446	-	96,365	-	-	-
As at June 30, 2022	2,341,569	292,685	3,627,008	12,068,278	55,665,888	229,221	12,747	423,293	74,660,689
ACCUMULATED DEPRECIATION									
As at September 30, 2020	-	-	283,716	1,728,813	1,273,091	13,786	1,962	302,422	3,603,790
Depreciation	-	-	131,308	751,818	936,553	6,158	1,320	20,528	1,847,685
Disposals	-	-	-	(93,664)	(326,565)	-	-	(56,991)	(477,220)
As at September 30, 2021	-	-	415,024	2,386,967	1,883,079	19,944	3,282	265,959	4,974,255
Depreciation	-	-	100,263	533,411	13,135,531	18,035	1,178	48,473	13,836,891
As at June 30, 2022	-	-	515,287	2,920,378	15,018,610	37,979	4,460	314,432	18,811,146
NET BOOK VALUE									
As at September 30, 2021	413,000	320,921	3,211,984	8,348,270	18,739,913	88,195	3,717	69,877	31,195,930
As at June 30, 2022	2,341,569	292,685	3,111,721	9,147,900	40,647,278	191,242	8,287	108,861	55,849,543

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11. LONG-TERM INVESTMENTS

		June 30, 2022		September 30, 2021
Convertible debentures of BOSONIC Inc.	\$	2,705,354	\$	2,579,616
Brane Inc.		3,000,000		3,000,000
Other		98,034		98,034
	\$	5,803,388	\$	5,677,650

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.

On July 2, 2021, the Company purchased a convertible debenture of BOSONIC Inc. for USD \$2,000,000. The convertible debenture is interest bearing at 5% per annum and matures on July 2, 2023. In the event that BOSONIC Inc. 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:

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

12. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		June 30, 2022		September 30, 2021
Trade payables and accrued liabilities	\$	3,358,560	\$	3,733,941
Trade payables and accrued liabilities - related parties (Note 14)		449,160		298,478
Sales taxes payable		510,266		90,822
	\$	4,317,986	\$	4,123,241

During the nine months ended June 30, 2022, the Company recognized a gain on the write-off of accounts payable of \$2,050,827 related to accounts that had previously been accrued, and recently passed the statute of limitations.

13. 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 nine months ended June 30, 2022

During the nine months ended June 30, 2022, the Company issued 110,000 common shares in connection with the exercise of stock options for proceeds of \$44,000. As a result, \$29,029 has been reclassified from share-based payment reserve to share capital.

During the nine months ended June 30, 2022, the Company issued 259,375 common shares in connection with the exercise of warrants for proceeds of \$55,000. As a result, \$146,023 has been reclassified from share-based payment reserve to share capital.

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13. SHARE CAPITAL AND RESERVES (Continued)

b) Stock options

Stock option activity for the nine months ended June 30, 2022

On November 30, 2021, the Company issued 2,845,750 incentive stock options to employees of the Company. The options are exercisable at a price of \$1.20 per option expiring on November 30, 2024. These options had a fair value of \$0.97 per option using the Black Scholes model with the following inputs: i) exercise price: \$1.20; ii) share price: \$1.18; iii) term: 3.00 years; iv) volatility: 155%; v) discount rate: 0.95%. The options vest 25% on each of May 30, 2022, November 30, 2022, May 30, 2023, November 30, 2023. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2022.

On May 9, 2022, the Company issued 2,356,250 incentive stock options to employees of the Company and 373,750 to directors and officers of the Company. The options are exercisable at a price of \$0.39 per option expiring on May 9, 2027. These options had a fair value of \$0.34 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.39; ii) share price: \$0.38; iii) term: 5.00 years; iv) volatility: 151%; v) discount rate: 2.74%. The options vest 25% on each of November 9, 2022, May 9, 2023, November 9, 2023, and May 9, 2024. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2022.

	Options outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2020	8,728,500	0.33	1.56
Issued	8,505,106	0.98	
Expired	(600,000)	0.50	
Exercised	(6,644,142)	0.32	
Cancelled / Forfeited	(1,710,812)	0.58	
Balance, September 30, 2021	8,278,652	0.93	2.36
Issued	5,575,750	0.80	
Exercised	(110,000)	0.40	
Cancelled / Forfeited	(2,636,215)	0.97	
Balance, June 30, 2022	11,108,187	0.86	2.55

The following table discloses the number of options outstanding as at June 30, 2022:

Number of options	Price per share	Expiry Date	Number of options vested
	\$		
257,691	0.35	November 9, 2022	257,691
435,000	0.15	November 12, 2022	435,000
200,000	3.00	March 15, 2023	200,000
2,155,000	0.65	December 31, 2023	2,155,000
200,000	2.49	March 31, 2024	200,000
1,308,946	1.41	April 26, 2024	1,308,946
1,545,000	0.84	July 28, 2024	1,158,750
2,276,550	1.20	November 30, 2024	569,138
2,730,000	0.39	May 9, 2027	-
11,108,187			6,284,525

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13. SHARE CAPITAL AND RESERVES (Continued)

c) Warrants

	Warrants outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2020	1,481,500	0.10	0.11
Granted	42,406,487	1.94	
Expired	(6,521,169)	0.19	
Balance, September 30, 2021	37,666,818	2.17	2.49
Exercised	(259,375)	0.22	
Balance, June 30, 2022	37,407,443	2.19	1.75

The following table discloses the number of warrants outstanding as at June 30, 2022:

Number of warrants	Exercise price per share	Expiry Date
	\$	
933,429	0.22	December 18, 2022
11,666,667	3.55	March 5, 2024
1,283,333	3.75	March 5, 2024
22,297,644	1.50	May 3, 2024
1,226,370	1.575	May 3, 2024
37,407,443		

d) Earnings 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 Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net loss for the period	(\$12,232,725)	(\$8,422,253)	(\$7,139,380)	(\$9,116,557)
Weighted average number of shares	167,254,729	159,639,315	167,156,536	125,891,707
Basic loss per share	(\$0.09)	(\$0.05)	(\$0.04)	(\$0.07)

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14. 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 have control or significant influence were as follows:

		For the nine months ended June 30,	
		2022	2021
Salaries, wages, and benefits	\$	580,468	\$ 1,476,985
Consulting services		122,858	150,300
Share-based compensation		2,109,889	1,465,153
Total	\$	2,813,214	\$ 3,092,438

(b) Related party balances

As at June 30, 2022, \$449,160 (September 30, 2021 – \$298,478) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

15. REVENUES

The Company's revenue is comprised of the following:

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Digital currency mining	8,984,762	418,149	31,935,210	1,109,655
Mining equipment hosting and set up service	946,603	1,274,126	3,070,671	4,442,441
Mining pool fees	143,787	-	400,107	-
Forensics and consulting income	5,400	9,900	15,400	73,599
Software license income	414,960	-	1,233,115	501,955
Other	33,803	1,787	141,134	73,699
	10,529,315	1,703,962	36,795,637	6,201,349

The Company's deferred revenue consists of the following:

		As at		As at
		June 30, 2022		September 30, 2021
Customer deposits on contracts	\$	1,052,201	\$	927,371
Unearned revenue on licensing agreement		62,695		191,640
Other		62,133		32,485
	\$	1,177,029	\$	1,151,496

Included in customer deposits on contracts is \$840,397 related to deposits for a hosting agreement, and \$98,473 related to a deposit for building containers for a customer.

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16. OPERATING AND MAINTENANCE COSTS

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

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Utilities	3,415,465	1,394,492	9,039,090	4,270,244
Wages, contractors and other	153,018	392,706	524,531	735,033
	3,568,483	1,787,198	9,563,621	5,005,277

17. CAPITAL DISCLOSURES

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.

18. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES

(a) Fair values of financial instruments 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
June 30, 2022				
Cash	\$ 1,236,605	\$ -	\$ -	\$ 1,236,605
Marketable securities	\$ 411,220	\$ -	\$ -	\$ 411,220
Digital currencies	\$ 10,670,572	\$ -	\$ -	\$ 10,670,572
Long-term investments	\$ -	\$ 5,803,388	\$ -	\$ 5,803,388
September 30, 2021				
Cash	\$ 19,686,777	\$ -	\$ -	\$ 19,686,777
Marketable securities	\$ 486,615	\$ -	\$ -	\$ 486,615
Digital currencies	\$ 17,925,942	\$ -	\$ -	\$ 17,925,942
Long-term investments	\$ -	\$ 5,677,650	\$ -	\$ 5,677,650

The Company has determined the estimated fair value of its financial instruments, 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, if any, are not materially different from their carrying values.

Financial instruments 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).

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18. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (Continued)

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 in unlisted private companies are measured using Level 2 inputs based on prices in recent financings. Digital currencies are measured using Level 1 inputs where quoted prices in active markets are available.

b) Management of Industry and Financial Risk

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

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 and due from related parties. The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash at highly rated financial institutions.

The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because of its dependence on three major customers. The Company decreased its exposure to concentration of credit by increasing the number of 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.

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 June 30, 2022, no amounts were held as collateral.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at June 30, 2022, the Company has a working capital of \$11,922,063 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 June 30, 2022 is \$10,670,572, based on subsequent prices may be valued at significantly less. The Company is currently set-up to maintain positive cashflow in the event of further decline of digital currency prices. 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.

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.

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 material impact on the Company's operations.

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18. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (Continued)

Foreign Currency Risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. In addition, the Company mines bitcoin which have 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. At June 30, 2022, the Company held net financial liabilities of \$675,638 denominated in US dollars (US\$524,319). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately \$67,000.

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 June 30, 2022, 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 \$4,243,000 and \$25,000 respectively. 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 \$6,214,608. A 20% change in the market price would result in a change in the net loss for the period of approximately \$1,245,000.

19. CONTINGENCIES

During the nine months ended June 30, 2022, the Company signed a settlement agreement with a former director and paid a total of \$62,500 for the settlement of two claims. This amount was accrued for during the year ended September 30, 2021.

An additional two claims were settled during the nine months ended June 30, 2022, for \$30,000.

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.

20. SUPPLEMENTAL CASH FLOW INFORMATION

	For the nine months ended June 30,	
	2022	2021
	\$	\$
Shares of INX received	1,000,000	-
Interest paid	-	-
Taxes paid	-	-

21. COMMITMENTS

As at June 30, 2022, the Company had outstanding executed purchase agreements for the purchase of miners for 450 new model S19j Pro miners and 1,800 new model S19 XP miners. As at June 30, 2022, the Company had made \$19,180,716 in deposits towards this commitment, with \$2,218,284 remaining to be paid based on the original contract price: this amount remaining to be paid may be adjusted based on current market pricing for such mining equipment. The remaining miners are scheduled to be delivered through December 2022.

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22. SUBSEQUENT EVENT

On August 22, 2022, the Company granted 400,000 stock options to directors of the Company. The options are exercisable at \$0.33 per share for a period of five years from the date of grant.