DMG Blockchain Solutions Inc.

Consolidated Financial Statements

For the years ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

KRP | KINGSTON ROSS PASNAK LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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January 30, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DMG Blockchain Solutions Inc.

Opinion

We have audited the consolidated financial statements of DMG Blockchain Solutions Inc. (the company), which comprise the consolidated statements of financial position as at September 30, 2022, and the consolidated statements of loss and comprehensive loss and changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company as at September 30, 2022, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended September 30, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 21, 2022.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

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

	Notes	As at September 30, 2022	As at September 30, 2021
ASSETS		**$**	**$**
Current			
Cash and cash equivalents		1,247,513	19,686,777
Amounts receivable	6	6,320,533	3,300,563
Digital currency	5	9,319,790	17,925,942
Prepaid expense and other current assets		258,289	426,600
Current portion of lease receivable		36,883	140,624
Amount recoverable	7	-	7,823,307
Marketable securities	8	401,542	486,615
Total current assets		**17,584,550**	**49,790,428**
Long-term deposits	9	14,526,569	24,368,883
Property and equipment	11	58,083,429	31,195,930
Long-term portion of lease receivable		-	36,312
Intangible assets		-	58,487
Long-term investments	12	75,000	5,677,650
Amount recoverable	7	6,632,501	-
Total assets		**96,902,049**	**111,127,690**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	13	4,854,517	5,050,612
Deferred revenue	18	103,678	224,125
Current portion of lease liability	14	131,612	173,372
Current portion of loans payable	15	291,881	291,881
Total current liabilities		**5,381,688**	**5,739,990**
Long-term lease liability	14	92,809	72,974
Total liabilities		**5,474,497**	**5,812,964**
Shareholders' Equity			
Share capital	16(a)	110,381,441	110,099,851
Reserves	16(b)(c)	43,959,280	41,057,232
Obligation to issue shares		-	7,538
Accumulated other comprehensive income		121,623	209,501
Accumulated deficit		(63,034,792)	(46,059,396)
Total shareholders' equity		**91,427,552**	**105,314,726**
Total liabilities and shareholders' equity		**96,902,049**	**111,127,690**

Contingencies	24
Subsequent events	26

Approved on Behalf of the Board of Directors on January 30, 2023:

/s/ John M. Place	***/s/ Sheldon Bennett***
Director	**Director**

The accompanying notes are integral to these consolidated financial statements

DMG Blockchain Solutions Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	For the years ended September 30, 2022	2021
		$	$
Revenue	18	43,236,152	10,218,499
Expenses			
Operating and maintenance costs	20(a)	13,033,028	6,557,868
General and administrative	20(b)	3,447,690	3,447,841
Stock-based compensation	16(b)	3,077,100	4,149,382
Research	20 (c)	2,364,513	826,146
Bad debt expense (recovery)	6	(32,039)	19,292
Depreciation	11	19,782,363	1,847,685
Amortization of intangible assets		42,388	204,850
Total expenses		**41,715,043**	**17,053,064**
Income (loss) before other items		**1,521,109**	**(6,834,565)**
Other income (expense)			
Interest and other income	7	111,243	105,085
Gain (loss) on disposition of assets		1,179,949	(202,111)
Gain on assets held for sale		-	1,543,138
Foreign exchange gain (loss)		149,798	(294,134)
Gain on write-down of accounts payable	13	2,050,827	-
Loss on settlement of legal claims		(30,000)	(198,874)
Impairment of non-current assets		(39,134)	-
Impairment of amounts recoverable	7	(1,302,049)	-
Decline in fair value of investments	10, 12	(5,782,825)	-
Provision of sales tax receivable	6	-	(1,722,044)
Unrealized revaluation loss on digital currency	5	(11,528,632)	(1,973,328)
Realized gain (loss) on sale of digital currency		(2,220,167)	167,362
Loss on change in fair value of marketable securities	8	(1,085,073)	(142,935)
Net loss		**(16,975,396)**	**(9,552,406)**
Other comprehensive income			
Items that may be reclassified subsequently to income or loss:			
Unrealized revaluation loss on digital currency	5	(89,352)	(217,304)
Cumulative translation adjustment		1,474	125,986
Net loss and comprehensive loss		**(17,063,274)**	**(9,643,724)**
Net loss attributable to:			
Shareholders		(16,975,396)	(9,549,680)
Non-controlling interest		-	(2,726)
		(16,975,396)	(9,552,406)
Basic and diluted loss per share	16(d)	($0.10)	($0.07)
Weighted average number of shares outstanding - basic and diluted	16(d)	167,180,278	136,160,785

The accompanying notes are integral to these consolidated financial statements

DMG Blockchain Solutions Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars, except the number of shares)

	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**	**(2,314,072)**	**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)	3,757,498	-	-	-	-	**(6,617,707)**
Shares issued on exercise of options	6,644,142	4,203,947	(2,052,206)	-	-	-	-	**2,151,741**
Shares issued on exercise of warrants	6,521,169	4,920,388	(3,668,987)	7,538	-	-	-	**1,258,939**
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	**-**	**-**	4,149,382	-	-	-	-	**4,149,382**
Unrealized gain on digital currency revaluation	**-**	**-**	-	-	-	(217,304)	-	**(217,304)**
Net loss and comprehensive loss for the period	**-**	**-**	-	-	(9,549,680)	125,986	(2,726)	**(9,426,419)**
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	-	-	3,077,100	-	-	-	-	**3,077,100**
Shares issued on exercise of options (Note 16)	110,000	73,029	(29,029)	-	-	-	-	**44,000**
Shares issued on exercise of warrants (Note 16)	259,375	208,561	(146,023)	(7,538)	-	-	-	**55,000**
Unrealized loss on digital currency revaluation (Note 5)	-	-	-	-	-	(89,352)	-	**(89,352)**
Net loss and comprehensive loss for the period	-	-	-	-	(16,975,396)	1,474	-	**(16,973,922)**
Balance, September 30, 2022	**167,256,377**	**110,381,441**	**43,959,280**	**-**	**(63,034,792)**	**121,623**	**-**	**91,427,552**

The accompanying notes are integral to these consolidated financial statements

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

For the years ended September 30,	2022 $	2021 $
OPERATING ACTIVITIES		
Net loss for the period	**(16,975,396)**	**(9,552,406)**
Non-cash items:		
Accretion	15,843	-
Amortization of intangible assets	42,388	204,850
Depreciation	19,782,363	1,847,685
Share-based payments	3,077,100	4,149,382
Unrealized loss (gain) on revaluation of digital currency	11,528,632	2,190,632
Unrealized foreign exchange gain	(149,212)	-
Gain on sale of assets	(1,179,949)	(1,341,027)
Gain on write-down of accounts payable	(2,050,827)	-
Unrealized loss on marketable securities	1,085,073	142,935
Impairment of non-current assets	39,134	-
Impairment of amounts recoverable	1,302,050	-
Impairment of investment	5,782,825	-
Provision for sales tax receivable	-	1,772,044
Bad debt expense (recovery)	(32,039)	19,292
Digital currency related revenue	(37,820,728)	(3,823,293)
Digital currency sold	32,686,625	955,003
Realized loss on sale of digital currency	2,220,167	-
Digital currency purchased	(93,664)	(14,967,000)
Digital currency received for payment of receivables or loans	-	(1,315,279)
Non-cash interest income	(115,475)	(8,801)
Accrued interest	(4,292)	11,037
Changes in non-cash operating working capital:		
Prepaid expenses and other current assets	143,644	976,684
Amounts receivable	(4,158,741)	(4,375,528)
Amounts recoverable	-	(7,823,307)
Deferred revenue	(1,047,818)	1,125,706
Trade and other payables	1,107,980	(22,608)
Net cash provided by (used in) operating activities	**15,185,683**	**(29,833,999)**
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,646,248)	(20,284,494)
Deposits on mining equipment	(34,857,051)	(24,172,236)
Purchase of long-term investment	-	(5,677,650)
Proceeds on sale of equipment	3,855,776	4,559,637
Refund of security deposit	1,000	-
Proceeds from sublease	146,595	127,490
Net cash used in investing activities	**(33,499,928)**	**(45,447,253)**

The accompanying notes are integral to these consolidated financial statements

(Expressed in Canadian Dollars)

For the years ended September 30,	**2022**	**2021**
	$	**$**
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	99,095,438
Share issuance costs	-	(6,617,709)
Proceeds from option exercises	44,000	2,151,741
Proceeds from warrant exercise	55,000	1,258,939
Principal lease payments	(224,717)	(241,419)
Repayment of loans payable	-	(1,943,810)
Net cash (used in) provided by financing activities	**(125,717)**	**93,703,180**
Impact of currency translation on cash	**698**	**191,011**
Change in cash	**(18,439,264)**	**18,612,939**
Cash, beginning	**19,686,777**	**1,073,838**
Cash, end	**1,247,513**	**19,686,777**

Supplemental cash flow information (Note 25)

(Expressed in Canadian Dollars)

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 an environmentally friendly, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved for issue by DMG's board of directors on January 30, 2023.

b) *Basis of consolidation*

These consolidated 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. 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
	September 30, 2022	September 30, 2021	
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%	0%	Canada

c) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities 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. 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 presentation currency used in preparation of these consolidated financial statements is the Canadian dollar.

2. BASIS OF PRESENTATION (continued)

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.

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) 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 the financial statements.

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. The Company is assessing the potential impact of the amendment.

2. BASIS OF PRESENTATION (continued)

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.

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. Management will assess the 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.

e) Comparative information

During the year ended September 30, 2022, $544,180 was reclassified in the comparative presentation from general and administrative expenses to research for the year ended September 30, 2021 to conform with current year presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) 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. The amount of change in the current period as a result of the change in accounting estimate is considered nominal.

b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when required by IFRS. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units, or "CGUs").

Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received from selling an asset in an orderly arm's length transaction between market participants at the measurement date. Costs to dispose are incremental costs directly attributable to the disposal of an asset or CGU. Estimated future cash flows are calculated using estimated future prices and operating and capital costs. All inputs used are those that an independent market participant would consider appropriate.

Impairment losses for other assets or CGUs recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If so, an impairment loss is reversed only to the extent that the related asset or CGUs carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held with banks less cheques issued and outstanding, including monetary instruments that may be cashed or redeemed within three months of purchase.

d) Revenue recognition

The Company has the following main sources of revenue:

Set up and hosting fees

Set-up fees consist of the installation of the equipment in the Company's data centre. Set-up fees are deferred and recognized as earned over the term of the underlying hosting contract and included in Note 18.

Hosting fees are recognized as the hosting services are provided to customers on a monthly basis.

Cryptocurrency mining

The Company recognizes revenue from the provision of transaction verification services within digital currency networks, commonly described as "cryptocurrency mining". As consideration for these services, the Company receives digital currency from each specific network in which it participates ("coins"). Revenue is recognized by the Company when payment, in the form of digital currency, is received for mining services rendered. Revenue is measured based on the fair value of the coins received using the rate at the time of the transaction per "Yahoo.com", an online coin price aggregator.

Costs of fulfilling and revenue associated with the Company's performance obligations are incurred simultaneously. The Company has not deferred any expenditures with regard to fulfilling its contracts.

Software licensing

Revenue from software licensing arrangements, which allows customers to use software over a term, are provided on a subscription basis and is recognized rateably over the term of the subscription. Any unearned revenue at the end of the reporting period is reported as deferred revenue. Revenue from software license development is evaluated to determine whether performance obligations are satisfied at point in time or over time based on whether the software does not have an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date:

- For software license development where performance obligations are satisfied at a point in time, revenue is recognized when control of the software has transferred to the customer; and
- For software license development where performance obligations are satisfied over time, revenue is recognized using a method of transfer that depicts the Company's performance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining pool fees

Revenue is earned from the operation of crypto-currency mining pools in the form of pool fees. Pool fees are calculated as a percentage of the digital currency coins earned by the participants in the Company's pool. Percentages fluctuate based on total hash rate of the pool. Revenue is measured based on the fair value of the coins received using the rate at the time of the transaction per "Yahoo.com", an online coin price aggregator.

Consulting fees

The Company earns revenue from performing forensic consulting services. Revenue is earned upon completion of the services and when the amount is measurable and collection is reasonable assured.

e) Property and equipment

Additions to the data centre are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

The Company depreciates the cost of property and equipment based on declining-balance method over their estimated useful lives from the date they are available for use at the following annual rates:

Power Substation	4%
Data Centre	4%-40%
Computer and networking equipment	20%-100%
Mining equipment	55%
Motor vehicles	30%
Furniture and other equipment	20%

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized. No depreciation is recorded on items under construction until construction is complete, and items are available for use.

Refer to Note 4 for disclosure of estimates in respect of the determination of the appropriate method of depreciation, the underlying useful life and the estimation of residual values in respect of mining equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Digital currencies

Digital currencies consist of crypto-currency denominated assets such as bitcoin and are included in current assets. Digital currencies meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. Purchased digital currencies are initially recorded at cost and earned digital currencies are recorded based on the value of digital currencies on the date they are earned. The revaluation method is used to measure the digital currencies subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. There is no recycling of gains from other comprehensive income to profit or loss, except to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss.

Cryptocurrency held by the Company is valued at its fair value using the BTC CAD closing price listed on "Yahoo.com", which uses CoinMarketCap.com, a source that aggregates volume weighted average BTC USD price data from multiple exchanges. CoinMarketCap.com converts USD to CAD based on current FX rates provided by openexchangerates.org. Subsequent to initial recognition, digital currencies are remeasured at each reporting period to the Canadian dollar price.

g) Stock-based compensation

Stock-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. If it is determined the fair value of the goods or services cannot be reliably measured, stock-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves.

The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions on grant date. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in stock-based compensation is transferred to accumulated deficit.

h) Financial instruments

The Company applies IFRS 9, Financial Instruments, which sets out the accounting standards for the classification
and measurement of financial instruments.

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of financial assets

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial liability held at FVTPL are included in the income statement in the period in which they arise. Derivatives are categorized as FVTPL unless they are designated as hedges.

Financial liabilities at amortized cost

All financial liabilities that are not held for trading or designated as at FVTPL are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The classification of the Company's financial instruments under IFRS 9 is as follows:

Cash and equivalents	Amortized cost
Amounts receivable	Amortized cost
Amounts recoverable	Amortized cost
Lease receivable	Amortized cost
Marketable securities	FVTPL
Convertible debenture	FVTPL
Long-term investments	FVTPL
Trade and other payables	Amortized cost
Loans payable	Amortized cost

i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement year adjustments. The measurement year is the year between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of loss and comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration. In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the consolidated statements of comprehensive loss as a bargain purchase gain. Acquisition related costs are recognized in the consolidated statements of loss and comprehensive loss as incurred.

j) Intangible assets, other than digital currencies

Intangible assets consist of database, in process technology and tradename from Datient and are recorded at cost less accumulated amortization and accumulated impairment losses. Intangible assets have a finite life and are amortized using the straight-line method over their estimated useful lives. The useful lives of the intangible assets are reviewed at least annually. Amortization is recognized on a straight-line basis which for the database and in process technology is five years and for the tradename is twenty years.

The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

k) Research costs

Research costs, including expenses related to existing and new digital currency related tools and services, are expensed in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise option of purchase options, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Net investment in sublease

If a sublease is classified as a finance lease, the original lessee derecognises the right-of-use asset on the head lease at the sublease commencement date and continues to account for the original lease liability in accordance with the lessee accounting model. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment at period-end.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Share capital

Common shares issued by the Company are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of tax.

n) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the instruments at the grant date and recognized in expense over the vesting periods. Equity-settled share-based payments to nonemployees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. Non-employee share-based payments are recognized in expense at the date the goods or services are received. The corresponding amount is recorded to reserves. Upon the exercise of stock options, consideration received on the exercise is recorded as share capital and the related amount in reserves is transferred to share capital.

o) Other Comprehensive Income or Loss

Other comprehensive income or loss is the change in equity from transactions and other events and circumstances from non-shareholder sources. Other comprehensive income or loss refers to items recognized in comprehensive income or loss, but that are excluded from net income or loss calculated in accordance with IFRS. The resulting changes from translating the financial statements of foreign operations, the Company's presentation currency, and the revaluation of digital currencies are recognized in other comprehensive income or loss for the year.

p) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

q) Segmented Reporting

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO"), being the chief operating decision marker ("CODM"), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available. As at September 30, 2022 and 2021, the Company had one reportable segments based on operations related to digital currency mining.

r) Income taxes

Tax is recognized in net income or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is the expected tax payable on the taxable income for the year plus any adjustment to tax payable in respect to previous years. It is calculated on the basis of the tax laws and rates enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the applicable 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.

Judgements

a) Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, including volatility of digital currency price, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

b) 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 "cryptocurrency 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.

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.

c) Recoverability of sales tax receivable

The Company has certain refund claims for Goods and Services Tax Credits with the Canada Revenue Agency, the receipt of which are conditional upon review. Management has assessed the collectability of these refunds given the probability of collection and determined that the outstanding claims are likely to be collected given current rulings and the status of the ongoing review.

d) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

There is uncertainty regarding the taxation of cryptocurrency and the Canada Revenue Agency may assess the Company differently from the position adopted.

e) Assessment of indicators of impairment

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or when required by IFRS. In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

4. USE OF JUDGEMENTS AND ESTIMATES (continued)

Estimates

a) 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.

b) Carrying value of mining equipment and data center

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as the relationship between mining rewards and the required computing power, digital currency prices, the periodic contribution margin of digital currency mining activities, changes in underlying costs, such as electricity, and technological changes.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected revenue from service contracts, digital currency prices, required computing power, technological changes and operating costs, such as electricity. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive income.

c) Investment in Brane Inc. ("Brane")

The Company classifies its investment in Brane at fair value through profit and loss ("FVTPL"). As Brane is a private company, there are no quoted prices for the value of its shares and the Company relies on alternative valuation methods in order to estimate its fair value. Management reviews financial statements, internally generated forecasts, and other internal documents of the company to determine the change in the investment as at September 30, 2022.

4. USE OF JUDGEMENTS AND ESTIMATES (continued)

d) Useful life of digital asset mining equipment

Management is depreciating mining equipment over its useful life on a declining-balance method basis. The mining equipment is used to generate digital assets (refer to discussion on revenue recognition in Note 3). The rate at which the Company generates digital currencies and, therefore, consumes the economic benefits of its mining equipment are influenced by a number of factors including the following:

(i) the complexity of the mining process which is driven by the algorithms contained within the digital assets open source software;

(ii) the general availability of appropriate computer processing capacity on a global basis. Technological obsolescence reflecting rapid development in the mining machines means that more recently developed hardware is more economically efficient to run. This is reflected in terms of digital assets mined as a function of operating costs, primarily power costs (i.e., the speed of mining machines evolution in the industry) is such that later mining machines models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

Based on the Company's, and the industry's short life cycle to date, there is limited amount of market data available to management to use in its estimates. Furthermore, the data available also includes data derived from the use of economic modelling to forecast future digital assets and the assumptions included in such forecasts, including the price of bitcoin and network difficulty, are derived from management's assumptions which are inherently judgmental. Based on current data available management has determined that the declining-balance method of depreciation at a rate of 55% per year until decommissioned best reflects the current expected useful life of mining equipment. Management reviews this estimate at each reporting date and will revise such estimates as and when data becomes available. Any remaining residual value for mining equipment is written off at the end of its useful life. Management reviews the appropriateness of its assumption of zero residual value at each reporting date.

e) Fair value measurement of stock options and broker warrants

Estimating fair value for stock options and broker warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the stock options and broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options and broker warrants are disclosed in Note 16.

f) Amounts recoverable

During the year ended September 30, 2022, management determined that the amounts recoverable would likely be recovered over a period of time. The carrying amount was reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate. Management estimated that the amount will be entirely recovered over a period two years. The discount rate was estimated based on a high-yield unsecured bond.

5. DIGITAL CURRENCIES

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. The amount of change in the current period as a result of the change in accounting estimate is considered nominal. Management believes this change in accounting estimate represents the most accurate and fair view for the fair value of its digital currency.

(Expressed in Canadian Dollars)

5. DIGITAL CURRENCIES (continued)

At September 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”, or “xe.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 received from mining	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 received from mining	784.54	37,411,525	-	-	37,411,525
Mining pool fees	8.27	409,203	-	-	409,203
Digital currency purchased	3.00	93,664	-	-	93,664
Interest income	0.06	4,232	-	-	4,232
Digital currency sold	(777.89)	(34,906,792)	-	-	(34,906,792)
Digital currency revaluation	-	(11,528,632)	-	(89,352)	(11,617,984)
Balance, September 30, 2022	**343.24**	**9,236,520**	**45.34**	**83,270**	**9,319,790**

6. AMOUNTS RECEIVABLE

The Company’s amounts receivable is as follows:

		September 30, 2022		**September 30, 2021**
Trade receivables	$	637,577	$	1,227,448
Sales taxes recoverable		7,406,676		3,110,881
Shares receivable		-		1,000,000
Other receivables		6,942		75,583
Provision for sales tax receivable		(1,722,044)		(1,722,044)
Provision for doubtful accounts		(8,618)		(391,306)
	$	**6,320,533**	**$**	**3,300,563**

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

		September 30, 2022		**September 30, 2021**
Opening balance	$	391,306	$	372,014
Bad debt expense (recovery)		(32,039)		19,292
Write-offs		(350,649)		-
	$	**8,618**	**$**	**391,306**

During the year ended September 30, 2022, the Company recorded a provision for doubtful accounts of $Nil (2021: $19,262) for expected credit losses and recovered $32,039 (2021: $Nil). In addition, the Company directly wrote off $350,649 (2021: $Nil) in accounts receivable.

(Expressed in Canadian Dollars)

6. AMOUNTS RECEIVABLE (continued)

During the year ended September 30, 2021, the Company determined that its sales tax receivable balance related to Goods and Services Tax ("GST") may not be collectible. As a result, a provision for the balance of $1,722,044 has been recorded.

On March 17, 2021, the Company purchased 800,000 subscription receipts of INX Limited ("INX") for $1,000,000, representing a small ownership (less than 3%) interest in INX. The subscription receipts are refundable unless a go-public transaction is completed. The 800,000 subscription receipts are to be converted into 800,000 units of INX (each unit is one share and one-half warrant) upon the completion of a go-public transaction which was intended to be a reverse takeover of Valdy Investments Ltd. (a listed company on TSX-V). Each warrant will be exercisable into one common share at $1.88 per share for a period of two years from the closing. On January 4, 2022, INX received conditional approval from the NEO Exchange Inc. ("NEO") and on January 10, 2022, the reverse takeover of Valdy Investments Ltd. was completed. On January 24, 2022, INX started trading on the NEO Exchange under the symbol "INXD" and the Company received 800,000 shares of INX which was reclassified to marketable securities.

7. AMOUNT RECOVERABLE

		September 30, 2022		September 30, 2021
Amortized Cost				
Opening balance	$	7,823,307	$	-
Additions		-		12,606,000
Repayments		-		(3,532,331)
Bitcoin received		-		(1,250,362)
Ending balance		**7,823,307**		**7,823,307**
Expected Credit Losses				
Opening balance	$	**-**	$	**-**
Provision for expected credit losses		1,302,049		**-**
Interest income		(111,243)		**-**
Ending balance	$	**1,190,806**	**$**	**-**
Net Amount Recoverable	**$**	**6,632,501**	**$**	**7,823,307**

As of September 30, 2021, the Company advanced $12,606,000 for the purchase of miners that could not be delivered. On June 4, 2021, the Company received a refund of $3,532,331 (USD $2,802,103) and was informed that the miners could not be delivered under the agreement. As at September 30, 2021, the Company applied $1,250,362 for 21 bitcoins that were received in relation to the agreement against the outstanding amount. Of the total advanced, $7,823,307 is remaining to be repaid as of September 30, 2021.

During the year-ended September 30, 2022, management determined that the amount may not be recovered in the next twelve months. The amount is expected to be recovered over a period of two years, and estimates that the Company will incur $300,000 in legal fees to recover the balance. As such, the Company recorded an impairment on the amount recoverable of $1,302,049 as of June 30, 2022. The amount recoverable is recorded at amortized cost using an effective interest rate of 7.33% and interest revenue of $111,243 was recognized in profit and loss. The fair value of the amount recoverable as of September 30, 2022 was $6,632,501.

(Expressed in Canadian Dollars)

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:

		September 30, 2022		September 30, 2021
Fair value, opening	$	486,615	$	-
Shares of INX Ltd. received		1,000,000		629,010
Loss on fair value change of marketable securities		(1,085,073)		(142,395)
	$	**401,542**	**$**	**486,615**

During the year ended September 30, 2022, the Company received 800,000 shares of INX Ltd. reclassified from amounts receivable. The Company also holds 10,094 common shares of Marathon Digital Holdings, Inc.

9. LONG-TERM DEPOSITS

		September 30, 2022		September 30, 2021
Security deposits	$	1,725,352	$	1,447,009
Deposits on mining equipment		12,801,217		22,921,874
	$	**14,526,569**	**$**	**24,368,883**

The Company has currently outstanding $12,801,217 (USD $9,339,182) (2021 - $22,921,874 (USD $18,411,400)) 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. As at September 30, 2022, $1,323,800 (2021 - $1,323,800) 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. All 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. 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.

Management has 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 is 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, 2022, the fair value of the BOSONIC note was $Nil (2021: $2,579,616, included in long term investments).

(Expressed in Canadian Dollars)

11. 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	641,411	-	920,560	42,978,499	27,088	5,748	202,450	46,704,325
Disposals	-	(1,593)	-	-	(8,149)	-	-	-	(9,742)
Reclassification	-	(549,811)	-	453,446	-	96,365	-	-	-
Other adjustments	-	-	-	(1,417)	-	-	-	(23,306)	(24,723)
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
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	-	-	133,020	714,777	18,858,490	27,517	1,784	46,775	19,782,363
As at September 30, 2022	-	-	548,044	3,101,744	20,741,569	47,461	5,066	312,734	24,756,618
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 September 30, 2022	**2,341,569**	**410,928**	**3,078,964**	**9,006,082**	**42,851,828**	**184,131**	**7,681**	**202,246**	**58,083,429**

(Expressed in Canadian Dollars)

12. LONG-TERM INVESTMENTS

		September 30, 2022		September 30, 2021
Convertible debentures of BOSONIC Inc. (Note 10)	$	-	$	2,579,616
Brane Inc.		-		3,000,000
Other		75,000		98,034
	$	**75,000**	**$**	**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. Management has reviewed financial statements, internally generated forecasts of the company, and its business plan and concluded the value of the investment to be $Nil. As such, a decline in the fair value of $3,000,000 in the Company's profit and loss.

13. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		September 30, 2022		September 30, 2021
Trade payables and accrued liabilities	$	3,250,079	$	3,733,941
Trade payables and accrued liabilities - related parties (Note 17)		380,322		298,478
Sales taxes payable		270,388		90,822
Customer deposits on contracts		953,728		927,371
	$	4,854,517	$	5,050,612

During the year ended September 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 statue of limitations.

14. 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 of ranging from 2.8% to 19.3% per annum and expiry dates for these leases range from January 2023 to August 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 September 30, 2022 and 2021, the Company's lease liability related to office leases is as follows:

Lease liability		September 30, 2022		September 30, 2021
Current portion	$	131,612	$	173,372
Long-term portion		92,809		72,974
	$	224,421	$	246,346

At September 30, 2022 and 2021, the Company is committed to minimum lease payments as follows:

Maturity analysis		September 30, 2022		September 30, 2021
Less than one year	$	152,453	$	179,513
One to five years		107,013		73,630
More than five years		-		-
Total undiscounted lease liabilities	$	259,466	$	253,143

(Expressed in Canadian Dollars)

14. LEASES (continued)

Recognized in profit or loss		**September 30, 2022**		**September 30, 2021**
Interest on lease liabilities	$	15,843	$	11,037

Recognized in the statement of cash flows		**September 30, 2022**		**September 30, 2021**
Principal payments on lease liabilities	$	224,717	$	168,469
Total cash outflows for leases	$	224,717	$	168,469

15. LOANS PAYABLE

		Face value		**Carrying value**
Balance, September 30, 2020	$	2,235,691	$	2,112,825
Accretion		-		122,114
Repayment of principal		(1,867,792)		(1,867,792)
Foreign exchange		(76,018)		(75,266)
Balance September 31, 2021	$	291,881	$	291,881
Balance September 31, 2022	$	291,881	$	291,881

a) 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.

b) On March 27, 2020, entered into a loan agreement for $518,414 ($362,477 USD) related to the purchase of mining equipment. The loan bears interest at 16.5% per annum. The principal, finance fee and interest are payable in installments over a period of twelve months with the final payment due on April 26, 2021. The loan was secured against the Company's miners totaling $648,018 ($453,096 USD).

   The loan was recorded at amortized cost of $482,499, and the Company recorded $Nil in accretion during the year ended September 30, 2022 (2021 – $1,451).

   On January 25, 2021, the Company sold the miners secured by this loan. As a result, the Company repaid the outstanding loan balance in full. In connection with the repayment, the Company also paid interest of $4,762 and risk premium of $5,820.

c) On May 8, 2020, entered into a loan agreement for $2,131,737 ($1,531,200 USD) related to the purchase of mining equipment. The loan bears interest at 16% per annum. The principal, finance fee and interest are payable in installments over a period of twelve months with the final payment due on November 8, 2021. The loan is secured against the Company's miners totaling $2,664,671 ($1,914,000 USD).

   The loan was recorded at amortized cost of $1,941,928, and the Company recorded $Nil in accretion during the year ended September 30, 2022 (2021 – $69,747).

   On January 25, 2021, the Company sold the miners secured by this loan. As a result, the Company repaid the outstanding loan balance in full. In connection with the repayment, the Company also paid interest of $130,029 and risk premium of $120,077.

16. 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 year ended September 30, 2022

During the year ended September 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 year ended September 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.

Share capital activity for the year ended September 30, 2021

On May 3, 2021, the Company closed a prospectus offering for 22,297,644 units for gross proceeds of $28,095,031. Each unit consists of one common share and one warrant. Each warrant is exercisable at $1.50 until May 3, 2024. These warrants have a relative fair value of $12,428,409 determined using the Black Scholes model with the following inputs: i) exercise price: $1.50; ii) share price: $1.15; iii) term: 3 years; iv) volatility: 154%; v) discount rate: 0.29%.

In connection with the financing, the Company incurred finders' fees of $1,545,227, legal fees of $152,398 and issued 1,226,370 brokers' warrants. Each warrant is exercisable into one common share at $1.575 until May 3, 2024. These warrants have a fair value of $1,111,976 determined using the Black Scholes model with the following inputs: i) exercise price: $1.575 ii) share price: $1.15; iii) term: 3 years; iv) volatility: 154%; v) discount rate: 0.29%.

On March 5, 2021, the Company closed a prospectus offering for 23,333,334 units for gross proceeds of $70,000,002. Each unit consists of one common share and one-half of one warrant. Each warrant is exercisable at $3.55 until March 5, 2024. These warrants have a relative fair value of $19,616,883 determined using the Black Scholes model with the following inputs: i) exercise price: $3.55; ii) share price: $2.48; iii) term: 3 years; iv) volatility: 152%; v) discount rate: 0.30%.

In connection with the financing, the Company incurred finders' fees of $3,850,000, legal fees of $146,758 and issued 1,283,333 brokers' warrants. Each warrant is exercisable into one common share at $3.75 until March 5, 2024. These warrants have a fair value of $2,460,122 determined using the Black Scholes model with the following inputs: i) exercise price: $3.75 ii) share price: $2.48; iii) term: 3 years; iv) volatility: 152%; v) discount rate: 0.30%.

On December 18, 2020, the Company closed a brokered private placement for 5,884,735 units for gross proceeds of $1,000,405. Each unit consists of one common share and one warrant. Each warrant is exercisable at $0.22 until December 18, 2022. These warrants have a relative fair value of $458,622 determined using the Black Scholes model with the following inputs: i) exercise price: $0.22; ii) share price: $0.69; iii) term: 2 year; iv) volatility: 159%; v) discount rate: 0.24%.

In connection with the financing, the Company incurred finders' fees of $59,115 and issued 347,738 brokers' warrants. Each warrant is exercisable into one common share at $0.22 until December 18, 2022. These warrants have a relative fair value of $203,109 determined using the Black Scholes model with the following inputs: i) exercise price: $0.22; ii) share price: $0.69; iii) term: 2 year; iv) volatility: 159%; v) discount rate: 0.24%.

16. SHARE CAPITAL AND RESERVES (continued)

During the year ended September 30, 2021, the Company issued 6,644,142 common shares in connection with the exercise of stock options for proceeds of $2,151,741. As a result, $2,052,206 has been reclassified from share-based payment reserve to share capital.

During the year ended September 30, 2021, the Company issued 6,523,169 common shares in connection with the exercise of warrants for proceeds of $1,258,939. As a result, $3,668,987 has been reclassified from share-based payment reserve to share capital.

During the year ended September 30, 2021, the Company issued 1,861,564 common shares upon conversion of 1,861,564 of DMG-US, Inc. Class B common shares pursuant to the vesting terms of the conversion criteria in the 2018 acquisition of Datient. This conversion reduced the non-controlling interest from 19% to Nil such that the Company has a 100% residual interest in Datient as at September 30, 2021.

b) Stock options

Stock option activity for the year ended September 30, 2022

On September 30, 2022, the Company issued 472,500 to employees of the Company and 1,225,000 incentive stock options to directors and officers of the Company. The options are exercisable at a price of $0.25 per option expiring on September 30, 2027. These options had a fair value of $0.21 per option using the Black Scholes model with the following inputs: i) exercise price: $0.25; ii) share price: $0.24; iii) term: 5.00 years; iv) volatility: 138%; v) discount rate: 3.44%. The options vest 25% on each of the six, twelve, eighteen and twenty-four months following the issuance date. Given the date of the grant, no portion of the vested value of these options was included in stock-based compensation and reserves for the year ended September 30, 2022.

On August 22, 2022, the Company issued 400,000 incentive stock options to directors of the Company. The options are exercisable at a price of $0.33 per option expiring on August 22, 2027. These options had a fair value of $0.28 per option using the Black Scholes model with the following inputs: i) exercise price: $0.33; ii) share price: $0.31; iii) term: 5.00 years; iv) volatility: 149%; v) discount rate: 3.24%. The options vest 25% on each of the six, twelve, eighteen and twenty-four months following the issuance date. A portion of the vested value of these options was included in stock-based compensation and reserves for the year ended September 30, 2022.

On May 9, 2022, the Company issued 1,585,000 incentive stock options to employees of the Company and 1,145,000 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 year ended September 30, 2022.

On November 30, 2021, the Company issued 1,145,750 incentive stock options to employees of the Company and 1,700,000 to directors 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 year ended September 30, 2022.

16. SHARE CAPITAL AND RESERVES (continued)

Stock option activity for the year ended September 30, 2021

On July 28, 2021, the Company issued 2,478,000 incentive stock options to officers and employees of the Company. The options are exercisable at a price of $0.84 per option expiring on July 28, 2024. These options had a fair value of $0.69 per option using the Black Scholes model with the following inputs: i) exercise price: $0.84; ii) share price: $0.84; iii) term: 3 years; iv) volatility: 155%; v) discount rate: 0.38%. The options vest 25% on each of October 28, 2021, January 28, 2022, April 28, 2022 and July, 28, 2022. The $1,711,565 grant date value of these options is recognized as stock-based compensation and reserves over the vesting period with a $573,065 portion recognized in the 2021 year-end.

On April 26, 2021, the Company issued 1,972,106 incentive stock options to officers and employees of the Company. The options are exercisable at a price of $1.41 per option expiring on April 26, 2024. These options had a fair value of $1.33 per option using the Black Scholes model with the following inputs: i) exercise price: $1.41; ii) share price: $1.60; iii) term: 3 years; iv) volatility: 153%; v) discount rate: 0.23%. The options vest 25% on each of July 26, 2021, October 26, 2021, January 26, 2022 and April 26, 2022. The $2,615,967 grant date value of these options is recognized as stock-based compensation and reserves over the vesting period with a $1,739,778 portion recognized in the 2021 year-end.

On March 31, 2021, the Company issued 200,000 incentive stock options to a director of the Company. The options are exercisable at a price of $2.49 per option expiring on March 31, 2024. These options had a fair value of $2.02 per option using the Black Scholes model with the following inputs: i) exercise price: $2.49; ii) share price: $2.48; iii) term: 3 years; iv) volatility: 153%; v) discount rate: 0.23%. The options vest 25% on each of June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022. The $397,472 grant date value of these options is recognized as stock-based compensation and reserves over the vesting period with a $314,681 portion recognized in the 2021 year-end.

On March 15, 2021, the Company issued 200,000 incentive stock options to an employee of the Company. The options are exercisable at a price of $3.00 per option expiring on March 15, 2023. These options had a fair value of $1.86 per option using the Black Scholes model with the following inputs: i) exercise price: $3.00; ii) share price: $2.48; iii) term: 2 years; iv) volatility: 171%; v) discount rate: 0.31%. The options vest 25% on each of June 15, 2021, September 15, 2021, December 15, 2021 and March 15, 2022. The $364,086 grant date value of these options is recognized as stock-based compensation and reserves over the vesting period with a $297,535 portion recognized in the 2021 year-end.

On December 31, 2020, the Company issued 3,655,000 incentive stock options to employees of the Company. The options are exercisable at a price of $0.65 per option expiring on December 31, 2023. These options had a fair value of $0.15 per option using the Black Scholes model with the following inputs: i) exercise price: $0.65; ii) share price: $0.60; iii) term: 3.00 years; iv) volatility: 135%; v) discount rate: 0.2%. The options vest 25% on each of March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021. The $1,644,654 grant date value of these options is recognized as stock-based compensation and reserves over the vesting period with a $297,535 portion recognized in the 2021 year-end.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

	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	7,673,250	0.66	
Exercised	(110,000)	0.40	
Cancelled / Forfeited	(2,791,058)	0.94	
Balance, September 30, 2022	13,050,845	0.77	2.71

The following table discloses the number of options outstanding as at September 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	1,545,000
2,261,708	$1.20	November 30, 2024	569,138
2,590,000	$0.39	May 9, 2027	-
400,000	$0.33	August 22, 2027	-
1,697,500	$0.25	September 30, 2027	-
13,050,845			6,670,775

c) Warrants

Warrant activity for the year ended September 30, 2022

During the year ended September 30, 2022, the Company issued 259,375 common shares in connection with the exercise of warrants

Warrant activity for the year ended September 30, 2021

On May 3, 2021, the Company issued 23,524,014 warrants in connection with a private placement financing.

On March 5, 2021, the Company issued 12,950,000 warrants in connection with a private placement financing.

On December 18, 2020, the Company issued 6,232,473 warrants in connection with a private placement financing.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL AND RESERVES (continued)

	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, September 30, 2022	37,407,443	2.18	1.50

The following table discloses the number of warrants outstanding as at September 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	1.58	May 3, 2024
37,407,443		

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.

Diluted earnings per share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. There was no effect of dilutive instruments in the years ended September 30, 2022 and 2021.

	For the years ended September 30,	
	2022	2021
Net loss for the period	($16,975,396)	($9,552,406)
Weighted average number of shares	167,180,278	136,160,785
Basic and diluted loss per share	($0.10)	($0.07)

17. 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 years ended September 30,		
		2022		2021
Salaries, wages, and benefits	$	770,152	$	1,637,827
Consulting services		216,922		107,000
Share-based compensation		2,635,888		2,519,595
Total	$	3,622,962	$	4,264,424

(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party balances

As at September 30, 2022, $390,601 (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.

18. REVENUES

The Company's revenue is comprised of the following:

	For the years ended September 30, 2022 $	2021 $
Digital currency mining	37,411,525	3,823,293
Mining equipment hosting and set up service	3,663,160	5,410,691
Mining pool fees	411,925	-
Forensics and consulting income	43,450	73,599
Software license income	1,657,447	910,917
Other	48,645	-
	43,236,152	10,218,499

The Company's deferred revenue consists of the following:

		As at September 30, 2022		As at September 30, 2021
Unearned revenue on licensing agreement	$	69,624	$	191,640
Other		34,054		32,485
	$	103,678	$	224,125

19. OPERATING SEGMENT AND CONCENTRATION OF CUSTOMERS

During the year ended September 30, 2022, the Company's revenue consisted of three major customers. Sales comprised 44%, 28% and 11% of total revenue generated from all sources to these three customers during the year ended September 30, 2022.

As at September 30, 2022, there was $493,140 in balances due from these customers included in accounts receivable.

During the year ended September 30, 2021, the Company's revenue consisted of three major customers. Sales comprised 19%, 11% and 10% of total revenue generated from all sources to these three customers during the year ended September 30, 2021.

As at September 30, 2021, there were no balances due from these customers included in accounts receivable.

(Expressed in Canadian Dollars)

20. EXPENSES

a) Operating and Maintenance Costs

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

	For the years ended September 30,	
	2022	2021
	$	$
Utilities	12,238,162	5,597,078
Wages, contractors and other	794,866	960,790
	13,033,028	6,557,868

b) General and Administrative

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

	For the years ended September 30,	
	2022	2021
	$	$
Consulting	278,990	217,798
General and administrative office expenses	198,782	222,060
Marketing, investor, and public relations	233,753	184,256
Finance costs	19,348	324,715
Insurance	169,574	222,846
Travel and entertainment	84,131	35,090
Professional fees	906,194	511,238
Regulatory and filing	282,848	96,503
Wages	1,274,070	1,633,335
	3,447,690	3,447,841

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.

(Expressed in Canadian Dollars)

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
September 30, 2022				
Marketable securities	$ 401,542	$ -	$ -	$ 401,542
Digital currencies	$ -	$ 9,319,790	$ -	$ 9,319,790
Long-term investments	$ -	$ 75,000	$ -	$ 75,000
September 30, 2021				
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 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 2 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.

(Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (continued)

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 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 these digital currencies would impact the Company's comprehensive net loss by $3,728,000 and $25,000 respectively. Historical performance of digital currencies is not indicative of their future performance.

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 short-term investments, by maintaining the majority of cash at highly rated financial institutions.

The Company is exposed to a concentration of credit risk with respect to its trade accounts receivable balance because of its dependence on three major 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 consolidated statements of financial position. At September 30, 2022, no amounts were held as collateral.

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

	September 30, 2022	September 30, 2021
Current	$ 349,879	$ 522,562
31- 60 days	137,070	22
61 - 90 days	80,456	127,410
91+ days	70,172	577,454
Total	$ 637,577	$ 1,227,448

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at September 30, 2022, the Company has a working capital of $12,202,862 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 September 30, 2022 is $9,319,790, based on subsequent prices may be valued at significantly less. 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.

	Within 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
	$	$	$	$
Trade payables and accrued liabilities	4,854,517	-	-	-
Lease obligations	131,613	51,606	41,202	-
Loan payable	291,881	-	-	-
Total	4,986,130	51,606	41,202	-

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCIES (continued)

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 a 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 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 September 30, 2022, the Company held net financial assets of $806,708 denominated in US dollars (US$588,537). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately $81,000.

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, 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 $3,728,000 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, convertible debenture, and long-term investment which are measured at fair value totaling $3,411,844. A 20% change in the market price would result in a change in the net loss for the period of approximately $682,000.

(Expressed in Canadian Dollars)

23. INCOME TAX

Income tax expense (recovery) varies from the amount that would be computed from applying the combined Canadian federal and provincial income tax rate to income before taxes as follows:

	2022 $	2021 $
Net loss for the year before taxes	(16,975,938)	(9,552,406)
Statutory Canadian corporate tax rate	27%	27%
Anticipated tax recovery	(4,583,357)	(2,579,150)
Non-deductible items and other differences	6,381,036	(2,262,411)
Change in income tax rates and foreign tax rates	(868,079)	70,631
Change in unrecognized def erred income tax assets	(929,599)	4,770,930
Deferred income tax recovery	-	-

The significant components of the Company's deferred tax assets are as follows:

	2022 $	2021 $
Property and equipment and digital assets	(266,729)	1,343,049
Intangible assets	-	(15,791)
Non-capital loss carry-forwards	4,844,534	6,067,841
Lease liabilities	5,986	56,709
Marketable securities	-	(131,926)
Share issue costs	697,97	1,341,492
	5,281,589	8,661,374
Unrecognized deferred tax assets	(5,281,589)	(8,661,374)
Net deferred income tax assets	-	-

At September 30, 2022, the Company has available non-capital tax losses, for Canadian income tax purposes of approximately $13,399,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring between 2036 and 2042.

At September 30, 2022, the Company has available non-capital tax losses for United States income tax purposes of approximately $4,544,000 available for indefinite carry-forward to reduce future years' taxable income.

24. CONTINGENCIES

During the year ended September 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 year ended September 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.

(Expressed in Canadian Dollars)

25. SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended September 30, 2022	2021
	$	$
Shares of INX received	1,000,000	-
Receipt of equipment purchased through deposits in the prior year	44,441,028	-
Interest paid	-	190,988

26. SUBSEQUENT EVENTS

On November 16, 2022, the Company entered into an agreement to borrow $1,000,000. The loan is interest bearing 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 due on the maturity date. The loan is secured against the Company's land and building assets located in Delta, BC.

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 share for a period of five years. The options vest 25% on each of the following: May 22, 2023, December 22, 2024, May 22, 2024 and December 22, 2025.

On January 6, 2023, the Company granted 200,000 stock options to a director of the Company. The options are exercisable at $0.17 per share for a period of five years. The options vest 25% on each of the following: June 6, 2023, January 6, 2024, June 6, 2024 and January 6, 2025.