

**DMG Blockchain Solutions Inc.**

Condensed Consolidated Interim Financial Statements

For the three and six months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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

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

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

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

	Notes	As at March 31, 2023 (unaudited)	As at September 30, 2022 (audited)
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash and cash equivalents		4,751,210	1,247,513
Amounts receivable	6	3,700,997	6,320,533
Digital currency	5	16,924,990	9,319,790
Prepaid expense and other current assets		235,641	258,289
Current portion of lease receivable		-	36,883
Marketable securities	8	306,719	401,542
<b>Total current assets</b>		<b>25,919,557</b>	<b>17,584,550</b>
Long-term deposits	9	8,483,171	14,526,569
Property and equipment	10	53,033,835	58,083,429
Long-term investments		45,000	75,000
Amount recoverable	7	6,867,734	6,632,501
<b>Total assets</b>		<b>94,349,297</b>	<b>96,902,049</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Trade and other payables	11	5,077,436	4,854,517
Deferred revenue		11,926	103,678
Current portion of lease liability		70,362	131,612
Current portion of loans payable		324,953	291,881
<b>Total current liabilities</b>		<b>5,484,677</b>	<b>5,381,688</b>
Long-term lease liability		63,097	92,809
Secured loan payable	12	931,047	-
<b>Total liabilities</b>		<b>6,478,821</b>	<b>5,474,497</b>
<b>Shareholders' Equity</b>			
Share capital	13(a)	110,478,267	110,381,441
Reserves	13(b)(c)	44,864,413	43,959,280
Accumulated other comprehensive income (loss)		4,989,741	121,623
Accumulated deficit		(72,461,945)	(63,034,792)
<b>Total shareholders' equity</b>		<b>87,870,476</b>	<b>91,427,552</b>
<b>Total liabilities and shareholders' equity</b>		<b>94,349,297</b>	<b>96,902,049</b>
<b>Subsequent event</b>	19		

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

/s/ John .D. Abouchar  
Director

/s/ Sheldon Bennett  
Director

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

**DMG Blockchain Solutions Inc.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Notes	For the Three Months Ended		For the Six Months Ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
		\$	\$	\$	\$
<b>Revenue</b>	15	7,623,323	11,899,546	14,797,915	26,158,991
<b>Expenses</b>					
Operating and maintenance costs	16(a)	4,594,898	3,243,567	9,003,690	5,995,138
General and administrative	16(b)	776,942	972,179	1,724,878	1,673,415
Stock-based compensation		423,079	613,735	938,209	1,952,678
Research and development		499,165	731,540	931,104	1,338,558
Provision for doubtful accounts		50,773	15,337	114,377	27,721
Depreciation	10	5,854,704	4,822,136	11,945,549	8,305,236
Amortization of intangible assets		-	263	-	41,863
<b>Total expenses</b>		<b>12,199,561</b>	<b>10,398,757</b>	<b>24,657,807</b>	<b>19,334,609</b>
<b>Income (loss) before other items</b>		<b>(4,576,238)</b>	<b>1,500,789</b>	<b>(9,859,892)</b>	<b>6,824,382</b>
<b>Other income (expense)</b>					
Interest and other income	7	122,091	68,251	235,232	107,331
Gain on disposition of assets		-	-	70,429	1,788
Foreign exchange loss		(26,014)	(96,112)	(106,991)	(347,201)
Gain on write-down of accounts payable		-	2,050,827	-	2,050,827
Realized gain (loss) on sale of digital currency		506,054	(3,057,853)	328,892	(3,151,566)
Gain (loss) on change in fair value of marketable securities		134,698	(409,436)	(94,823)	(392,216)
<b>Net income (loss)</b>		<b>(3,839,409)</b>	<b>56,466</b>	<b>(9,427,153)</b>	<b>5,093,345</b>
Other comprehensive income					
Items that may be reclassified subsequently to income or loss:					
Unrealized revaluation gain on digital currency	5	6,245,331	1,619,615	4,820,027	2,503,420
Cumulative translation adjustment		48,347	53,197	48,091	62,446
<b>Comprehensive income (loss)</b>		<b>2,454,269</b>	<b>1,729,278</b>	<b>(4,559,035)</b>	<b>7,659,211</b>
Basic and diluted income (loss) per share	13(d)	(0.02)	0.00	(0.06)	0.03
Weighted average number of shares outstanding	13(d)				
- basic		167,681,377	167,199,710	167,599,591	167,107,437
- diluted		167,681,377	167,199,710	167,599,591	169,065,696

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

**DMG Blockchain Solutions Inc.**

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars except the number of shares)

(Unaudited)

	Number of common shares	Share Capital	Share-based payment reserve	Obligation to issue shares	Accumulated deficit	AOCI	Total
		\$	\$	\$	\$	\$	\$
<b>Balance, September 30, 2021</b>	<b>166,887,002</b>	<b>110,099,851</b>	<b>41,057,232</b>	<b>7,538</b>	<b>(46,059,396)</b>	<b>209,501</b>	<b>105,314,726</b>
Share-based compensation expense recognized	-	-	1,952,678	-	-	-	1,952,678
Shares issued on exercise of options	80,000	66,194	(26,694)	-	-	-	39,500
Shares issued on exercise of warrants	259,375	208,561	(146,023)	(7,538)	-	-	55,000
Unrealized gain on digital currency revaluation	-	-	-	-	-	2,503,420	2,503,420
Net income and comprehensive income for the period	-	-	-	-	5,093,345	62,446	<b>5,155,791</b>
<b>Balance March 31, 2022</b>	<b>167,226,377</b>	<b>110,374,606</b>	<b>42,837,193</b>	<b>(7,538)</b>	<b>(40,966,051)</b>	<b>2,775,367</b>	<b>115,021,115</b>
<b>Balance, September 30, 2022</b>	<b>167,256,377</b>	<b>110,381,441</b>	<b>43,959,280</b>	<b>-</b>	<b>(63,034,792)</b>	<b>121,623</b>	<b>91,427,552</b>
Share-based compensation expense recognized	-	-	938,209	-	-	-	938,209
Shares issued on exercise of options	425,000	96,826	(33,076)	-	-	-	63,750
Unrealized gain on digital currency revaluation	-	-	-	-	-	4,820,027	4,820,027
Net loss for the period	-	-	-	-	(9,427,153)	-	(9,427,153)
Other comprehensive income for the period	-	-	-	-	-	48,091	48,091
<b>Balance March 31, 2023</b>	<b>167,681,377</b>	<b>110,478,267</b>	<b>44,864,413</b>	<b>-</b>	<b>(72,461,945)</b>	<b>4,989,741</b>	<b>87,870,476</b>

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

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

	<b>For the Six Months Ended</b>	
	<b>March 31, 2023</b>	<b>March 31, 2022</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
<b>Net income (loss) for the period</b>	<b>(9,427,153)</b>	<b>5,093,345</b>
<b>Non-cash items:</b>		
Accretion	25,466	4,755
Amortization of intangible assets	-	41,863
Depreciation	11,945,549	8,305,236
Share-based payments	938,209	1,952,678
Unrealized foreign exchange loss	43,613	186,553
Gain on sale of assets	(70,429)	(2,088)
Gain on write-down of accounts payable	-	(2,050,827)
Unrealized loss (gain) on marketable securities	94,824	392,216
Bad debt expense	114,377	27,721
Digital currency related revenue	(13,773,874)	(23,206,768)
Digital currency sold	11,161,893	24,882,052
Realized gain on sale of digital currency	(328,892)	(3,057,853)
Non-cash interest income	(229,349)	(3,878)
Accrued interest	(129)	(65,652)
<b>Changes in non-cash operating working capital:</b>		
Prepaid expenses and other current assets	52,650	(102,807)
Amounts receivable	3,000,466	(3,432,549)
Amounts recoverable	(237,039)	-
Deferred revenue	(91,752)	4,164,463
Trade and other payables	1,895,676	2,055,909
<b>Net cash provided by operating activities</b>	<b>5,114,106</b>	<b>15,184,369</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(572,044)	(3,259,407)
Deposits on mining equipment	(1,991,167)	(25,385,968)
Proceeds on sale of equipment	4,829	3,675
Proceeds from sublease	37,012	72,570
<b>Net cash used by investing activities</b>	<b>(2,521,370)</b>	<b>(28,569,130)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from option exercises	63,750	39,500
Proceeds from warrant exercise	-	55,000
Principal lease payments	(102,973)	(99,536)
Proceeds from secured loan	950,665	-
<b>Net cash provided by (used in) financing activities</b>	<b>911,442</b>	<b>(5,036)</b>
<b>Impact of currency translation on cash</b>	<b>(481)</b>	<b>(151)</b>
<b>Change in cash</b>	<b>3,503,697</b>	<b>(13,389,948)</b>
<b>Cash, beginning</b>	<b>1,247,513</b>	<b>19,686,777</b>
<b>Cash, end</b>	<b>4,751,210</b>	<b>6,296,829</b>

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

## DMG Blockchain Solutions Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended March 31, 2023 and 2022

(Expressed in Canadian dollars - Unaudited)

#### 1. NATURE OF OPERATIONS

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

#### 2. BASIS OF PRESENTATION

##### a) *Statement of compliance*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods of application as the Company’s September 30, 2022, consolidated audited annual financial statements. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

##### b) *Basis of consolidation*

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

Principal subsidiaries	Percentage ownership		Country of incorporation
	March 31, 2023	September 30, 2022	
DMG-US, Inc. (“DMG-US”)	100%	100%	United States
Datient, Inc.	100% indirect through DMG-US	100% indirect through DMG-US	United States
DMG Blockchain Services Inc.	100%	100%	United States
1141559 BC Ltd.	100%	100%	Canada
1132517 BC Ltd	100%	100%	Canada

##### c) *Basis of measurement*

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

## **DMG Blockchain Solutions Inc.**

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended March 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

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#### **2. BASIS OF PRESENTATION (continued)**

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 condensed consolidated interim financial statements is the Canadian dollar.

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

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of operations items at the average rate during the period. 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.



## **DMG Blockchain Solutions Inc.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the Three and Six Months Ended March 31, 2023 and 2022  
(Expressed in Canadian dollars) (Unaudited)

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### **2. BASIS OF PRESENTATION (continued)**

#### *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*

\$441,557 and \$749,615 was reclassified in the comparative presentation from general and administrative expenses to research for the three months ended and six months ended March 31, 2022, respectively, to conform with the current period presentation.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended September 30, 2022 and have been consistently followed in the preparation of these condensed consolidated interim financial statements except for the following:

#### **Revenue recognition**

##### *Net pool revenue and pool fees*

Revenue is earned from the operation of crypto-currency mining pools in the form of net pool revenue and pool fees. The Company purchases or credits the computing power (hashrate) of its pool members, paying them for their services based upon a formula that is a function of their hashrate contribution. Payouts to participants are calculated under one of two models, Full Pay Per Share (“FPPS”) or Pay-Per-Last-N-Shares (“PPLNS”).

Under the FPPS model, participants earn digital currency based on a formula for the expected block reward. The Company earns net pool revenue by generating digital currency through the purchase of hashrate from pool participants in excess of calculated payouts. The Company under the FPPS model takes on the volatility risk of matching the timing as to when it mines blocks versus paying out digital currency (less fees) based on the amount of purchased hashrate. Net pool revenue is calculated as the gain or loss between the total digital currency received from purchasing hashrate less digital currency paid to pool participants under the FPPS model.

Under the PPLNS model, participants earn digital currency for their hashrate contribution as a percentage of the total pool hashrate within a defined period to determine their share of the pool’s actual block rewards. Pool members under the PPLNS model share in the risk and reward based upon the number of blocks mined by the pool.

Pool fee revenue under both models is calculated as a percentage of the digital currency coins earned by the participants in the Company’s pool. Percentages fluctuate based on total hashrate 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.

##### *Software transaction revenue*

The Company generates revenue through integration of its various software platforms, such as Petra, which allows pool users to perform certain transactions for which the Company earns a transaction fee.

## DMG Blockchain Solutions Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended March 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

#### 4. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgments, 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. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the annual consolidated financial statements as at and for the year ended September 30, 2022.

#### 5. DIGITAL CURRENCIES

As at March 31, 2023 and September 30, 2022, 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	\$	\$
<b>Opening balance, September 30, 2021</b>	<b>325.26</b>	<b>17,753,320</b>	<b>45.34</b>	<b>172,622</b>	<b>17,925,942</b>
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)
<b>Opening balance, September 30, 2022</b>	<b>343.24</b>	<b>9,236,520</b>	<b>45.34</b>	<b>83,270</b>	<b>9,319,790</b>
Digital currency received/mined	537.63	14,476,989	-	-	14,476,989
Mining pool fees received	(0.15)	(5,884)	-	-	(5,884)
Pool revenue	(18.75)	(738,948)	-	-	(738,948)
Digital currency sold	(412.52)	(10,797,169)	-	-	(10,797,169)
Digital currency receivable	(6.33)	(198,672)	-	-	(198,672)
Digital currency revaluation	-	4,829,711	-	26,644	4,856,355
Exchange differences	-	12,529	-	-	12,529
<b>Ending balance, March 31, 2023</b>	<b>443.12</b>	<b>16,815,076</b>	<b>45.34</b>	<b>109,914</b>	<b>16,924,990</b>

#### 6. AMOUNTS RECEIVABLE

The Company's amounts receivable is as follows:

	March 31, 2023		September 30, 2022	
Trade receivables	\$	785,143	\$	637,577
Sales taxes recoverable		4,743,794		7,406,676
Other receivables		17,099		6,942
Provision for sales tax receivable		(1,722,044)		(1,722,044)
Provision for doubtful accounts		(122,995)		(8,618)
	\$	<b>3,700,997</b>	\$	<b>6,320,533</b>

## DMG Blockchain Solutions Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended March 31, 2023 and 2022

(Expressed in Canadian dollars) (Unaudited)

#### 6. AMOUNTS RECEIVABLE (continued)

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

	March 31, 2023		September 30, 2022	
Opening balance	\$	8,618	\$	391,306
Bad debt expense (recovery)		114,377		(32,039)
Write-offs		-		(350,649)
	\$	<b>122,995</b>	\$	<b>8,618</b>

During the six months ended March 31, 2023, the Company recorded a provision for doubtful accounts of \$114,377 (September 30, 2022: \$Nil) for expected credit losses and recovered \$Nil (September 30, 2022: \$32,039). In addition, the Company directly wrote off \$Nil (September 30, 2022: \$350,649) in accounts receivable.

#### 7. AMOUNT RECOVERABLE

	March 31, 2023		September 30, 2022	
<b>Amortized Cost</b>				
Opening balance	\$	7,823,307	\$	7,823,307
<b>Ending balance</b>		<b>7,823,307</b>		<b>7,823,307</b>
<b>Expected Credit Losses</b>				
Opening balance	\$	1,190,806	\$	-
Provision for expected credit losses		-		1,302,049
Interest income		(235,233)		(111,243)
<b>Ending balance</b>	\$	<b>955,573</b>	\$	<b>1,190,806</b>
<b>Net Amount Recoverable</b>	\$	<b>6,867,734</b>	\$	<b>6,632,501</b>

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 March 31, 2023.

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 \$235,233 was recognized in profit and loss during the six months ended March 31, 2023 (2022: \$Nil). The fair value of the amount recoverable as of March 31, 2023, was \$6,867,734.

#### 8. MARKETABLE SECURITIES

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

	March 31, 2023		September 30, 2022	
Fair value, opening	\$	401,542	\$	486,615
Shares of INX Ltd. received		-		1,000,000
Loss on fair value change of marketable securities		(94,823)		(1,085,073)
	\$	<b>306,719</b>	\$	<b>401,542</b>

**DMG Blockchain Solutions Inc.**

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**8. MARKETABLE SECURITIES (Continued)**

As at March 31, 2023, the Company holds 800,000 shares of INX Ltd and 12,094 common shares of Marathon Digital Holdings, Inc.

**9. LONG-TERM DEPOSITS**

	<b>March 31, 2023</b>		<b>September 30, 2022</b>	
Security deposits	\$	1,694,291	\$	1,725,352
Deposits on mining equipment		6,788,880		12,801,217
	\$	<b>8,483,171</b>	\$	<b>14,526,569</b>

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**10. PROPERTY AND EQUIPMENT**

<b>COST</b>	<b>Land</b>	<b>Construction in Progress</b>	<b>Power Substation</b>	<b>Data Centre</b>	<b>Computer and mining equipment</b>	<b>Furniture and other equipment</b>	<b>Motor Vehicle</b>	<b>Right of use Assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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
Additions	-	375,933	-	11,648	6,502,562	10,641	-	-	6,900,784
Disposals	-	(4,829)	-	-	-	-	-	-	(4,829)
<b>As at March 31, 2023</b>	<b>2,341,569</b>	<b>782,032</b>	<b>3,627,008</b>	<b>12,119,474</b>	<b>70,095,959</b>	<b>242,233</b>	<b>12,747</b>	<b>514,980</b>	<b>89,736,002</b>
<b>ACCUMULATED DEPRECIATION</b>									
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
Depreciation	-	-	64,537	349,215	11,479,504	18,186	1,082	33,025	11,945,549
<b>As at March 31, 2023</b>	<b>-</b>	<b>-</b>	<b>612,581</b>	<b>3,450,959</b>	<b>32,221,073</b>	<b>65,647</b>	<b>6,148</b>	<b>345,759</b>	<b>36,702,167</b>
<b>NET BOOK VALUE</b>									
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
<b>As at March 31, 2023</b>	<b>2,341,569</b>	<b>782,032</b>	<b>3,014,427</b>	<b>8,668,515</b>	<b>37,874,886</b>	<b>176,586</b>	<b>6,599</b>	<b>169,221</b>	<b>53,033,835</b>

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### 11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	<b>March 31, 2023</b>	<b>September 30, 2022</b>
Trade payables and accrued liabilities	\$ 3,924,946	\$ 3,250,079
Trade payables and accrued liabilities - related parties (Note 14)	270,971	380,322
Interest payable (Note 12)	9,555	-
Sales taxes payable	82,710	270,388
Customer deposits on contracts	789,254	953,728
	<b>\$ 5,077,436</b>	<b>\$ 4,854,517</b>

### 12. SECURED LOAN PAYABLE

On November 16, 2022, the Company entered into an agreement to borrow \$1,000,000. The loan is interest bearing, determined as the greater of 7.00% per annum or at a variable rate of prime plus 4.55% per annum, for a term of 18 months. Interest is payable monthly, and the principal balance is due on the maturity date. The loan is secured against the Company's office located in Delta, BC. It was determined that the principal balance of the loan represents its fair value as the time value of money does not pose a significant credit risk to the Company.

The Company incurred \$49,335 in transaction costs directly attributable to the loan. These transaction costs were deducted from the face value of the loan and are subsequently amortized over the term of the loan. During the six months ended March 31, 2023, \$13,455 (2022: \$Nil) of these transaction costs were recognized as finance costs under general and administrative expenses.

During the six months ended March 31, 2023, the Company incurred interest expense of \$44,870 (2022: \$Nil) which is recorded as finance costs under general and administrative expenses. Of this amount, \$35,373 was paid with the remainder still owing as at March 31, 2023.

	<b>Secured Loan Payable</b>	
Balance at September 30, 2022	\$	-
Loan proceeds		1,000,000
Transaction costs		(49,335)
Accretion		13,455
<b>As at March 31, 2023</b>	<b>\$</b>	<b>964,120</b>
Current portion	\$	33,073
Long-term portion	\$	931,047

### 13. SHARE CAPITAL AND RESERVES

#### a) Share capital

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

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### **13. SHARE CAPITAL AND RESERVES (Continued)**

#### **a) Share capital (Continued)**

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

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

*Share capital activity for the six months ended March 31, 2022*

During the six months ended March 31, 2022, the Company issued 80,000 common shares in connection with the exercise of stock options for proceeds of \$39,500. As a result, \$26,694 has been reclassified from share-based payment reserve to share capital.

During the six months ended March 31, 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.

#### **b) Stock options**

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

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

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

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

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**13. SHARE CAPITAL AND RESERVES (Continued)****b) Stock options (Continued)**

	<b>Options outstanding and exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average life remaining</b>
		\$	
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
Issued	2,186,850	0.25	
Expired	(457,691)	1.51	
Exercised	(425,000)	0.15	
Cancelled / Forfeited	(334,448)	0.55	
Balance, March 31, 2023	14,020,556	0.69	2.77

The following table discloses the number of options outstanding as at March 31, 2023:

<b>Number of options</b>	<b>Price per share</b>	<b>Expiry Date</b>	<b>Number of options vested</b>
2,098,750	\$0.65	December 31, 2023	2,098,750
200,000	\$2.49	March 31, 2024	200,000
1,295,946	\$1.41	April 26, 2024	1,295,946
1,505,000	\$0.84	July 28, 2024	1,505,000
2,246,760	\$1.20	November 30, 2024	1,123,380
2,410,000	\$0.39	May 9, 2027	602,500
400,000	\$0.33	August 22, 2027	100,000
1,680,000	\$0.25	September 30, 2027	420,000
912,050	\$0.18	December 22, 2027	-
200,000	\$0.17	January 5, 2028	-
1,072,050	\$0.32	March 31, 2028	-
14,020,556			7,345,576



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**13. SHARE CAPITAL AND RESERVES (Continued)****c) Warrants***Warrants activity for the six months ended March 31, 2023*

	Warrants outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2021	37,666,818	2.17	2.49
Exercised	(259,375)	0.22	
Balance, September 30, 2022	37,407,443	2.19	1.50
Expired	(933,429)	0.22	
Balance, March 31, 2023	36,474,014	2.24	1.04

The following table discloses the number of warrants outstanding as at March 31, 2023:

Number of warrants	Exercise price per share	Expiry Date
	\$	
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
36,474,014		

**d) Earnings per share**

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Net income (loss) for the period	(4,077,414)	56,466	(9,665,158)	5,093,345
Weighted average number of shares	167,681,377	167,199,710	167,599,591	167,107,437
Basic earnings (loss) per share	(0.02)	0.00	(0.06)	0.03

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**13. SHARE CAPITAL AND RESERVES (Continued)****d) Earnings per share**

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Net income (loss) for the period	(4,077,414)	56,466	(9,665,158)	5,093,345
Weighted average number of shares	167,681,377	167,199,710	167,599,591	167,107,437
Effect of dilutive securities:				
Stock options	-	-	-	1,257,936
Warrants	-	-	-	700,323
Weighted average diluted shares outstanding	167,681,377	167,199,710	167,599,591	169,065,696
Diluted earnings (loss) per share	(0.02)	0.00	(0.06)	0.03

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

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

	For the six months ended March 31,	
	2023	2022
Remuneration	\$ 830,426	\$ 210,811
Share-based compensation	784,846	828,427
Total	\$ 1,615,272	\$ 1,039,238

**(b) Related party balances**

As at March 31, 2023, \$270,971 (September 30, 2022 – \$380,322) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

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**15. REVENUES**

The Company's revenue is comprised of the following:

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Digital currency mining	7,805,595	10,263,570	14,476,988	22,950,448
Mining equipment hosting and set up service	366,669	973,536	830,988	2,124,068
Net pool revenue	(738,947)	-	(738,947)	-
Pool and other fees	98,925	256,320	103,534	256,320
Forensics and consulting income	-	-	-	10,000
Software license income	34,665	406,120	68,935	818,155
Other income	56,416	-	56,417	-
	7,623,323	11,899,546	14,797,915	26,158,991

**16. EXPENSES****a) Operating and Maintenance Costs**

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Utilities	4,291,816	3,089,346	8,444,322	5,623,625
Wages, contractors and other	303,082	154,221	559,368	371,513
	4,594,898	3,243,567	9,003,690	5,995,138

**b) General and Administrative**

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

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Consulting	104,794	15,325	181,553	39,480
General and administrative office expenses	8,018	48,432	30,452	137,849
Marketing, investor and public relations	20,299	58,292	64,693	131,054
Interest and bank charges	42,304	3,482	72,895	7,049
Insurance	32,681	35,922	64,418	65,437
Travel and entertainment	12,408	11,837	25,747	24,007
Professional fees	156,718	300,295	369,150	461,918
Regulatory and filing	6,070	96,907	41,448	138,881
Wages	393,650	401,687	874,522	667,740
	776,942	972,179	1,724,878	1,673,415

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#### 16. EXPENSES (Continued)

##### c) Research

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

#### 17. 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.

#### 18. FINANCIAL INSTRUMENTS

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

	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
March 31, 2023				
Marketable securities	\$ 306,719	\$ -	\$ -	\$ 306,719
Digital currencies	\$ -	\$ 16,924,990	\$ -	\$ 16,924,990
Long-term investments	\$ -	\$ 45,000	\$ -	\$ 45,000
September 30, 2022				
Marketable securities	\$ 401,542	\$ -	\$ -	\$ 401,542
Digital currencies	\$ -	\$ 9,319,790	\$ -	\$ 9,319,790
Long-term investments	\$ -	\$ 75,000	\$ -	\$ 75,000

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

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

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

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

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

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 have been transferred between levels during the period.

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### **18. FINANCIAL INSTRUMENTS (Continued)**

#### **b) Management of Industry and Financial Risk**

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

##### *Digital Currency Risk*

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

Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital currencies. The Company may not be able to liquidate its digital currencies at its desired price if required. Digital currencies have a limited history, their fair values have historically been volatile and the value of digital currencies held by the Company could decline rapidly. A 40% variance in price of bitcoin and ether would impact the Company's comprehensive net loss by \$6,726,000 and \$44,000 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 related to hosting revenue. 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. As at March 31, 2023, no amounts were held as collateral.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at March 31, 2023, the Company has a working capital of \$20,434,880 and does not require any additional financing to meet short-term operating requirements. The Company's cash is held with large Canadian financial institutions and is available on demand. If there are additional cash requirements, the Company has the option to liquidate digital currencies to meet operating needs. These digital currencies are subject to fluctuations in the market price of digital currencies. The current value of these assets as at March 31, 2023 is \$16,924,990 and 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.

##### *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: interest rate risk, foreign currency risk, and price risk. These are discussed further below.

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### **18. FINANCIAL INSTRUMENTS (Continued)**

#### **b) Management of Industry and Financial Risk (Continued)**

##### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its loans payable and accounts payable. The interest rate on the loans payable is fixed, and the accounts payable are not subject to any interest. A 10% change in the interest rate would 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 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. As at March 31, 2023, the Company held net financial assets of \$1,235,178 denominated in US dollars (US\$912,716). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately \$124,000.

##### *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 March 31, 2023, the Company held bitcoin and ether which have a limited history and historically prices have been volatile. A significant change to the price of bitcoin may affect the Company's ability to liquidate digital currencies. A 40% variance in price of bitcoin and ether would impact the Company's comprehensive net loss by \$6,726,000 and \$44,000 respectively. The Company is not exposed to any other significant price risks with respect to its financial instruments other than its marketable securities and long-term investment which are measured at fair value totaling \$351,719. A 20% change in the market price would result in a change in the net loss for the period of approximately \$70,344.

### **19. SUBSEQUENT EVENTS**

On April 12, 2023, the Company is repricing 3,321,076 stock options held by non-executive employees and consultants. The repricing does not affect the stock options' current vesting schedules and does not extend the term of the stock options. The 3,121,076 existing Options will be repriced from between \$0.65 and \$3.00 per common share to \$0.33 per common share.

On April 26, 2023, the Company granted 213,736 stock options to directors and a consultant pursuant to the Company's Stock Option Plan. The stock options are exercisable for a period of five years at a price of \$0.31 per share and will vest as to 25% on each of the October 26, 2023, April 26, 2024, October 26, 2024, and April 26, 2025.