

DMG Blockchain Solutions Inc.

Condensed Consolidated Interim Financial Statements

For the three months ended December 31, 2024 and 2023

(Expressed in Canadian Dollars, except as otherwise noted)

(Unaudited)

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

		As at December 31, 2024 (unaudited)	As at September 30, 2024 (audited)
	Notes	\$	\$
ASSETS			
Current			
Cash and cash equivalents		4,273,533	1,679,060
Amounts receivable	6	4,802,944	4,910,251
Digital currency	5	53,943,274	34,327,703
Prepaid expense and other current assets		402,787	337,042
Marketable securities	8	359,833	316,803
Short-term investment	9	5,516,500	-
Total current assets		69,298,871	41,570,859
Long-term deposits	10	10,743,511	2,047,682
Property and equipment	12	50,194,530	53,798,978
Intangible asset		276,040	-
Long-term investments	13	45,000	45,000
Amount recoverable	7	6,570,764	6,406,462
Total assets		137,128,716	103,868,981
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	14	3,748,608	5,183,107
Deferred revenue	19	7,355	-
Current portion of lease liability	15	40,071	43,483
Current portion of loans payable	16	20,020,520	13,928,462
Total current liabilities		23,816,554	19,155,052
Long-term lease liability	15	41,534	51,842
Total liabilities		23,858,088	19,206,894
Shareholders' Equity			
Share capital	17(a)	120,326,738	113,086,455
Reserves	17(b)(c)	55,036,328	45,853,100
Accumulated other comprehensive income		25,736,645	10,448,614
Accumulated deficit		(87,829,083)	(84,726,082)
Total shareholders' equity		113,270,628	84,662,087
Total liabilities and shareholders' equity		137,128,716	103,868,981
Contingencies	23		
Subsequent event	25		

Approved on Behalf of the Board of Directors on February 28, 2025:

/s/ John D. Abouchar
Director

/s/ Sheldon Bennett
Director

The accompanying notes are integral to these condensed consolidated financial statements

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

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

(Unaudited)

	Notes	For the three months ended December 31,	
		2024	2023
		\$	\$
Revenue	19	11,632,825	9,690,764
Expenses			
Operating and maintenance costs	20(a)	6,679,843	5,147,651
General and administrative	20(b)	1,836,680	886,061
Stock-based compensation	17(b)	678,528	368,494
Research	20(c)	553,964	438,179
Bad debt (recovery) expense	6	(4,743)	3,764
Depreciation	12	4,349,470	4,341,782
Total expenses		14,093,742	11,185,931
Operating loss before other items		(2,460,917)	(1,495,167)
Other income (expense)			
Interest and other income	7	164,302	165,781
Impairment of non-current assets		37,819	-
Foreign exchange loss		(909,388)	(94,585)
Loss on fair value of investments	10	-	(609,120)
Provision of sales tax receivable	6	(307,739)	(253,900)
Unrealized revaluation gain on digital currency	5	28,083	8,162,860
Realized gain on sale of digital currency		301,809	851,870
Gain on change in fair value of marketable securities	8	43,030	244,751
Net income (loss)		(3,103,001)	6,972,490
Other comprehensive income			
Items that may be reclassified subsequently to income or loss:			
Revaluation gain on digital assets	5	15,319,443	-
Cumulative translation adjustment		(31,412)	10,082
Net income and comprehensive income		12,185,030	6,982,572
Basic earnings (loss) per share	17(d)	\$(0.02)	\$0.04
Diluted earnings (loss) per share	17(d)	\$(0.02)	\$0.04
Weighted average number of shares outstanding	17(d)		
- basic		185,799,634	168,147,570
- diluted		185,799,634	170,175,939

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
		\$	\$	\$	\$	\$	\$
Balance, September 30, 2023	168,042,815	110,820,540	45,507,272	-	(79,496,520)	149,044	76,980,336
Share-based compensation expense recognized	-	-	368,494	-	-	-	368,494
Shares issued on exercise of options (Note 17)	667,500	560,531	(416,717)	125,962	-	-	269,776
Net income and comprehensive income for the period	-	-	-	-	6,972,490	10,082	6,982,572
Balance, December 31, 2023	168,710,315	111,381,071	45,459,049	125,962	(72,524,030)	159,126	84,601,178
Balance, September 30, 2024	170,500,933	113,086,455	45,853,100	-	(84,726,082)	10,448,614	84,662,087
Share-based compensation expense recognized	-	-	678,528	-	-	-	678,528
Units issued for cash	32,556,500	9,326,175	7,928,770	-	-	-	17,254,945
Share issuance costs	-	(2,343,101)	772,226	-	-	-	(1,570,875)
Shares issued on exercise of options (Note 17)	184,585	257,209	(196,296)	-	-	-	60,913
Unrealized gain on digital currency revaluation (Note 5)	-	-	-	-	-	15,319,443	15,319,443
Net loss and comprehensive loss for the period	-	-	-	-	(3,103,001)	(31,412)	(3,134,413)
Balance, December 31, 2024	203,242,018	120,326,738	55,036,328	-	(87,829,083)	25,736,645	113,270,628

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

DMG Blockchain Solutions Inc.**Condensed Consolidated Interim Statements of Cash Flows**

(Expressed in Canadian Dollars)

(Unaudited)

For the three months ended December 31,	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net income (loss) for the period	(3,103,001)	6,972,490
Non-cash items:		
Accretion	1,867	11,460
Depreciation	4,349,472	4,338,369
Share-based payments	678,528	368,494
Unrealized gain on revaluation of digital currency	(28,083)	(8,162,861)
Unrealized foreign exchange (gain) loss	926,984	(16,272)
Impairment of non-current assets	(37,819)	-
Unrealized gain on marketable securities	(43,030)	(244,751)
Impairment of investment	-	609,120
Provision for sales tax receivable	307,739	253,900
Bad debt (recovery) expense	(4,743)	3,764
Digital currency related revenue	(11,266,187)	(8,744,492)
Digital currency sold	7,305,976	9,445,176
Realized gain on sale of digital currency	(301,809)	(851,870)
Non-cash interest income	(164,302)	(164,632)
Accrued interest	329,604	-
Changes in non-cash operating working capital:		
Prepaid expenses and other current assets	(65,745)	30,629
Amounts receivable	(101,051)	(781,682)
Deferred revenue	7,355	14,302
Trade and other payables	(1,523,145)	668,276
Net cash (used in) provided by operating activities	(2,731,390)	3,749,420
INVESTING ACTIVITIES		
Purchase of property and equipment	(343,976)	(381,773)
Purchase of intangible assets	(276,040)	-
Deposits on mining equipment	(9,554,087)	(2,570,515)
Purchase of short-term investment	(5,516,500)	(609,120)
Refund of security deposit	457,325	-
Net cash used in investing activities	(15,233,278)	(3,561,408)
FINANCING ACTIVITIES		
Proceeds from issuance of units	17,254,945	-
Share issuance costs	(1,570,875)	-
Proceeds from option exercises	60,913	269,776
Principal lease payments	(15,356)	(45,276)
Repayment of loan payable	(1,000,000)	-
Proceeds from secure loan	5,829,013	-
Net cash provided by financing activities	20,558,640	224,500
Impact of currency translation on cash and cash equivalents	501	(206)
Cash and cash equivalents, change	2,594,473	412,306
Cash and cash equivalents, beginning	1,679,060	1,789,913
Cash and cash equivalents, end	4,273,533	2,202,219
Supplemental cash flow information (Note 24)		

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 Months Ended December 31, 2024 and 2023

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

1. NATURE OF OPERATIONS

DMG Blockchain Solutions Inc. (the “Company”) was incorporated under the provisions of the British Columbia Business Corporations Act on April 18, 2011. The Company’s head office and principal place of business is 4193 104 Street, Delta, B.C. V4K3N3. The Company is a sustainably-focused and vertically integrated blockchain and data center technology company that develops, manages and operates end-to-end digital solutions to monetize the blockchain and generative artificial intelligence compute ecosystems. The Company has operated data centers in Western Canada since October 2016. The Company also offers server colocation services as well as software products and services for digital asset transactions. 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, 2024, consolidated audited annual financial statements. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company’s most recent annual statements.

These consolidated financial statements were approved for issue by DMG’s board of directors on February 28, 2025.

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
	December 31, 2024	September 30, 2024	
DMG-US, Inc. (“DMG-US”)	100%	100%	United States
Datient, Inc.	100% indirect through DMG-US	100% indirect through DMG-US	United States
DMG Blockchain Services Inc.	100%	100%	United States
1141559 BC Ltd.	100%	100%	Canada
1132517 BC Ltd.	100%	100%	Canada
1300036 BC Ltd.	100%	100%	Canada
Systemic Trust Company Ltd.	100%	100%	Canada
2399760 Alberta Ltd.	100%	100%	Canada
2564400 Alberta Ltd.	100%	100%	Canada

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2024 and 2023

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

2. BASIS OF PRESENTATION (continued)

c) *Basis of measurement*

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

The functional currency of the Company, 1141559 BC Ltd, 1132517 BC Ltd, 1300036 BC Ltd, 2399760 Alberta Ltd, Systemic Trust Company Ltd, and 2564400 Alberta Ltd. is the Canadian dollar. The functional currency of DMG-US, Datient Inc., and DMG Blockchain Services Inc. is the US dollar, which is determined to be the currency of the primary economic environment in which the subsidiary operates. The presentation currency used in preparation of these consolidated financial statements is the Canadian dollar.

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

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

d) *New IFRS pronouncements*

There are no new IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements.

e) *Future IFRS pronouncements and amendments*

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.

IFRS Sustainability Disclosure Standards

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

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

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2024 and 2023

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

2. BASIS OF PRESENTATION (continued)

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

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

IFRS 18 - Presentation and Disclosure in Financial Statements

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

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

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

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

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

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

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

DMG Blockchain Solutions Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three Months Ended December 31, 2024 and 2023

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2024 and have been consistently followed in the preparation of these condensed consolidated interim financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the applicability of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgements were the same as those applied to the annual consolidated financial statements as at and for the year ended September 30, 2024.

5. DIGITAL CURRENCY

At December 31, 2024 and September 30, 2024, the Company held bitcoin as its digital currency. Bitcoin is recorded at their fair value on the date it is received and is revalued at its current market value at each reporting date. Fair value is determined by taking the closing price listed on "Yahoo.com" at the relevant dates.

The continuity of digital currency is as follows:

	Units	\$
Balance, September 30, 2023	468.44	17,142,683
Digital currency received from mining	502.51	33,975,569
Mining pool fees	(0.07)	(5,935)
Net pool revenue	(43.19)	(2,362,743)
Digital currency sold	(491.96)	(32,107,668)
Digital currency impairment	(49.01)	(1,791,851)
Digital currency revaluation	-	19,472,035
Exchange differences	-	5,613
Balance, September 30, 2024	386.72	34,327,703
Digital currency received from mining	96.58	11,266,187
Digital currency sold	(78.00)	(7,004,167)
Digital currency revaluation	-	15,347,524
Exchange differences	-	6,027
Balance, December 31, 2024	405.30	53,943,274

During the year ended September 30, 2023, the Company's custodian Prime Trust was placed into receivership by the state of Nevada, which ordered the custodian to cease all activities. As at December 31, 2023, the Company held 45.34 ETH and 49.01 BTC held in digital currency with Prime Trust valued at \$102,735 and \$1,739,534 respectively. At the time of the order, the Company had also placed trades for 8.2378 BTC valued at \$335,089 that were not complete due to the ceasing of activities; these amounts have been included in other receivables (Note 6).

DMG Blockchain Solutions Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three Months Ended December 31, 2024 and 2023

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

5. DIGITAL CURRENCY (continued)

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

During the year ended September 30, 2024, management reassessed the recoverability of the BTC as there is uncertainty around the treatment of depositor versus estate property. Management estimates that approximately 75% of the value of the estate property will be recoverable. Estate property is repaid in cash based on the value of holdings on the petition date of August 14, 2023. As such, the Company has recorded an impairment of \$345,160 and reclassified the remaining balance of \$1,446,691 to amounts receivable. There was no change to the assessment of ETH and incomplete trades during the three months ended December 31, 2024.

As at December 31, 2024, the Company had 295.45 BTC (September 30, 2024: 295.45 BTC) deposited and pledged as collateral against a credit facility with Sygnum Bank (Note 16).

6. AMOUNTS RECEIVABLE

The Company's amounts receivable is as follows:

	December 31, 2024		September 30, 2024	
Trade receivables	\$	222,199	\$	295,336
Sales taxes recoverable		3,152,165		3,012,598
Other receivables		37,555		216,035
Receivable from Prime Trust (Note 5)		1,446,691		1,446,691
Provision for doubtful accounts		(55,666)		(60,409)
	\$	4,802,944	\$	4,910,251

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

	December 31, 2024		September 30, 2024	
Opening balance	\$	60,409	\$	54,868
Bad debt expense (recovery) related to trade receivables		(4,743)		5,541
	\$	55,666	\$	60,409

During the three months ended December 31, 2024, the Company recorded a net recovery of provision for doubtful accounts of \$(4,743) for expected credit losses (September 30, 2024: bad debt expense of \$5,541).

In addition, based on management's analysis of the sales taxes recoverable, it was determined that a further provision of \$307,739 (December 31, 2023: \$253,900) was required to be expensed, to result in a net sales taxes recoverable of \$3,152,165.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2024 and 2023

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

7. AMOUNT RECOVERABLE

	December 31, 2024		September 30, 2024	
Amortized Cost				
Opening balance	\$	7,823,307	\$	7,823,307
Ending balance		7,823,307		7,823,307
Expected Credit Losses				
Opening balance	\$	1,416,845	\$	1,377,056
Interest income		(164,302)		(634,511)
Loss on modification		-		674,300
Ending balance	\$	1,252,543	\$	1,416,845
Net Amount Recoverable	\$	6,570,764	\$	6,406,462

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:

	December 31, 2024		September 30, 2024	
Fair value, opening	\$	316,803	\$	386,984
Gain (loss) on fair value change of marketable securities		43,030		(70,181)
	\$	359,833	\$	316,803

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

9. SHORT-TERM INVESTMENT

On December 12, 2024, the Company purchased a Guaranteed Investment Certificate ("GIC") issued by ATB Financial for \$5,516,500 at an interest rate of 2.25% which matures on December 12, 2025. The GIC is pledged against a letter of guarantee at an interest rate of 2.05% which expires on December 17, 2025.

10. LONG-TERM DEPOSITS

	December 31, 2024		September 30, 2024	
Security deposits	\$	1,399,138	\$	1,856,345
Deposits on mining equipment		9,344,373		191,337
	\$	10,743,511	\$	2,047,682

The Company has currently outstanding \$9,344,373 (USD \$6,494,109) (September 30, 2023 - \$191,337 (USD \$141,742)) relating to the purchase of miners. On December 18, 2018, the Company entered into an agreement under which \$2,202,605 was paid as a security deposit for the provision of utilities, interest bearing at approximately 3%. As at December 31, 2024, \$1,386,512 (September 30, 2024 - \$1,649,399) of these funds still remain and are included in security deposits and will be repaid when the Company ceases the use of the services. The remaining security deposits are for various lease agreements and will be repaid at the end of each lease agreement. The remaining deposits are non-interest-bearing. No expected credit losses have been recorded against the deposits, as management believes that the deposits are held by large reputable companies and there should be no issues recovering deposits when they become due.

DMG Blockchain Solutions Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three Months Ended December 31, 2024 and 2023

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

11. CONVERTIBLE DEBENTURE

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

- 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 outstanding on a diluted basis.

As at September 30, 2022, management reviewed financial statements, internally generated forecasts of the company, and its business plan and concluded the likelihood of repayment of the note at maturity date was remote. As such, a decline in fair value of \$2,782,825 was recorded in the Company's profit and loss. As at December 31, 2023, the fair value of the Bosonic note was \$Nil (September 30, 2023: \$Nil).

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

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

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

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

DMG Blockchain Solutions Inc.

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12. PROPERTY AND EQUIPMENT

COST	Land	Construction in Progress (CIP)	Power Substation	Data Centre	Computer and mining equipment	Furniture and other equipment	Motor Vehicle	Right of use Assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at September 30, 2023	2,341,569	1,485,499	3,859,399	12,534,048	72,942,908	337,998	12,747	279,679	93,793,847
Additions	-	4,842,027	-	288,115	16,640,639	64,237	-	96,721	21,931,739
Disposals	-	-	-	-	-	-	-	(55,880)	(55,880)
Reclassification from Assets Held for Sale	-	-	-	-	3,414,858	-	-	-	3,414,858
Reclassification from CIP	-	(1,550,472)	-	1,659,242	-	24,361	-	(133,131)	-
Other adjustments	-	-	-	(3,414)	-	-	-	-	(3,414)
As at September 30, 2024	2,341,569	4,777,054	3,859,399	14,477,991	92,998,405	426,596	12,747	187,389	119,081,150
Additions	-	395,255	871	257,376	85,478	6,042	-	-	745,022
Reclassification from CIP	-	(2,471,665)	-	2,486,936	-	6,093	-	(21,364)	-
As at December 31, 2024	2,341,569	2,700,644	3,860,270	17,222,303	72,951,998	438,731	12,747	166,025	119,826,172
ACCUMULATED DEPRECIATION									
As at September 30, 2023	-	-	733,334	3,748,245	41,675,414	91,358	7,078	139,833	46,395,262
Depreciation	-	-	122,775	745,045	17,978,195	50,205	1,485	48,499	18,946,204
Disposals	-	-	-	-	-	-	-	(55,880)	(55,880)
Reclassification	-	-	-	52,624	-	23,163	-	(75,787)	-
Other adjustments	-	-	-	(3,414)	-	-	-	-	(3,414)
As at September 30, 2024	-	-	856,109	4,542,500	59,653,609	164,726	8,563	56,665	65,282,172
Depreciation	-	-	29,936	203,465	4,091,129	13,340	306	11,294	4,349,470
Reclassification	-	-	-	12,818	-	-	-	(12,818)	-
As at December 31, 2024	-	-	886,045	4,758,783	63,744,738	178,066	8,869	55,141	69,631,642
NET BOOK VALUE									
As at September 30, 2024	2,341,569	4,777,054	3,003,290	9,935,490	33,344,796	261,870	4,184	130,724	53,798,978
As at December 31, 2024	2,341,569	2,700,644	2,974,225	12,463,520	29,339,145	260,665	3,878	110,884	50,194,530

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13. LONG-TERM INVESTMENTS

	December 31, 2024	September 30, 2024
	\$	\$
Other	45,000	45,000
	\$ 45,000	\$ 45,000

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

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

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

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

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

14. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	December 31, 2024	September 30, 2024
Trade payables and accrued liabilities	\$ 3,358,684	\$ 4,815,217
Trade payables and accrued liabilities - related parties (Note 18)	217,389	173,851
Provincial sales taxes payable	29,085	41,137
Legal expense accrual	136,374	136,374
Refundable customer deposits on contracts	7,076	7,076
Interest payable (Note 16)	-	9,452
	\$ 3,748,608	\$ 5,183,107

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14. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables is a legal expense accrual of \$136,374 (September 30, 2024: \$136,374) that relates to a provision for a legal claim from a former customer. The legal expense accrual represents the maximum amount the Company expects to pay if it is found liable in the claim.

15. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of leases for office space, vehicles and equipment. The leases bear interest ranging from 5.09% to 16.56% per annum and expiry dates for these leases range from April 2025 to November 2026. The related lease liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of that date.

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

Lease liability	December 31, 2024		September 30, 2024	
Current portion	\$	40,071	\$	43,483
Long-term portion		41,534		51,842
	\$	81,605	\$	95,325

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

Maturity analysis	December 31, 2024		September 30, 2024	
Less than one year	\$	45,079	\$	49,165
One to five years		43,162		54,432
More than five years		-		-
Total undiscounted lease liabilities	\$	88,241	\$	103,597

Recognized in the consolidated statements of loss and comprehensive loss	December 31, 2024		December 31, 2023	
Interest on lease liabilities (included in general and administrative expenses)	\$	1,867	\$	3,157

Recognized in the statement of cash flows	December 31, 2024		December 31, 2023	
Principal payments on lease liabilities	\$	15,356	\$	40,276
Total cash outflows for leases	\$	15,356	\$	40,276

16. LOANS PAYABLE

	Face value		Carrying value	
Balance, September 30, 2023	\$	1,291,881	\$	1,272,397
Loan proceeds		12,161,909		12,161,909
Repayment of principal		(1,668)		(1,668)
Accrued interest		491,925		491,925
Accretion		-		19,484
Foreign exchange loss		(15,585)		(15,585)
As at September 30, 2024	\$	13,928,462	\$	13,928,462
Repayment of principal		(1,000,000)		(1,000,000)
Loan proceeds		5,829,013		5,829,013
Accrued interest		329,604		329,604
Foreign exchange gain		933,441		933,441
As at December 31, 2024	\$	20,020,520	\$	20,020,520
Current portion		20,020,520		20,020,520
Long-term portion		-		-

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16. LOANS PAYABLE (continued)

During the three months ended December 31, 2024, the Company incurred interest expense of \$340,094 (2023: \$29,616) which is recorded as finance costs under general and administrative expenses. Of this amount, \$20,829 was paid with the remainder still owing as at December 31, 2024 included in loans payable and \$Nil (September 30, 2024: \$9,452) included in trade and other payables.

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

Polyphase Capital promissory note

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.

Mortgage payable

As at September 30, 2024, the Company had a mortgage payable balance of \$1,000,000 due on November 1, 2024. The loan is interest bearing, determined as the greater of 11.50% per annum or at a variable rate of prime plus 4.55% per annum. On October 30, 2024, the Company repaid the amount owing in full.

Sygnum loan payable

On January 30, 2024, the Company entered into a loan agreement with Sygnum Bank AG ("Sygnum") for a Lombard loan of up to \$9,000,000 USD. For an indefinite term, the loan is interest bearing at 7.8%. On July 7, 2024, the interest rate was increased to 8.5% and total loan facility increased to a maximum of \$19,000,000 USD. The loan is secured against the Company's digital currency assets of 295.45 BTC (Note 5), which are pledged and deposited with Sygnum. Because the collateral is subject to fluctuations in value, the Company may be required to provide additional collateral in order to restore the security margin on the loan.

As at December 31, 2024, \$19,728,640 (\$18,795,199 USD) (September 30, 2024, \$12,636,582 (\$9,361,125 USD)) of the loan was outstanding.

17. SHARE CAPITAL AND RESERVES

a) Share capital

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

Share capital activity for the three months ended December 31, 2024

On November 19, 2024, the Company closed a prospectus offering for 32,556,600 units for gross proceeds of \$17,254,945. Each unit consists of one common share and one warrant. Each warrant is exercisable at \$0.65 until November 19, 2029. These warrants have a relative fair value of \$7,928,770 determined using the Black Scholes Option Pricing Model with the following inputs: i) exercise price: \$0.65; ii) share price \$0.465; iii) term: 5 years; iv) volatility: 133%; v) discount rate: 3.12%.

In connection with the financing, the Company incurred finders' fees of \$1,035,297, legal and other fees of \$535,578 and issued 1,953,390 brokers' warrants. Each warrant is exercisable into one common share at \$0.65 until November 19, 2029. These warrants have a fair value of \$772,226 determined using the Black Scholes Option Pricing Model with the following inputs: i) exercise price: \$0.65; ii) share price \$0.465; iii) term: 5 years; iv) volatility: 133%; v) discount rate: 3.12%.

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17. SHARE CAPITAL AND RESERVES (continued)

During the three months ended December 31, 2024, the Company issued 184,585 common shares in connection with the exercise of stock options for proceeds of \$60,913. As a result, \$196,296 has been reclassified from share-based payment reserve to share capital.

Share capital activity for the three months ended December 31, 2023

During the three months ended December 31, 2023, the Company issued 667,500 common shares in connection with the exercise of stock options for proceeds of \$220,275. As a result, \$340,255 has been reclassified from share-based payment reserve to share capital. The Company also received proceeds of \$49,500 for the exercise of options for which shares have not yet been issued, and as a result \$76,462 has been reclassified from share-based payment reserve to obligation to issue shares.

b) Stock options*Stock option activity for the three months ended December 31, 2024*

On December 23, 2024, the Company granted 424,680 stock options to employees, and an officer of the Company. The options are exercisable at \$0.38 per option expiring on December 23, 2029. These options had a fair value of \$0.41 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.38; ii) share price: \$0.46; iii) term: 5.00 years; iv) volatility: 133%; v) risk free rate: 3.01%. The options vest 25% on each of the following: June 23, 2025, December 23, 2025, June 23, 2026, and December 23, 2026. A portion of the vested value of these options was included in stock-based compensation and reserves for the three months ended December 31, 2024.

Stock option activity for the three months ended December 31, 2023

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

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17. SHARE CAPITAL AND RESERVES (continued)

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

Grant date	Share-based compensation recognized	
	December 31, 2024	December 31, 2023
	\$	\$
November 30, 2021	-	35,031
May 9, 2022	-	21,220
August 22, 2022	-	8,271
September 30, 2022	-	24,235
December 22, 2022	3,600	16,649
January 5, 2023	884	3,836
March 31, 2023	8,232	38,135
April 26, 2023	1,717	9,704
June 30, 2023	31,788	115,406
September 20, 2023	21,667	79,598
December 20, 2023	64,819	16,409
March 20, 2024	77,442	-
June 5, 2024	165,301	-
August 7, 2024	9,698	-
September 19, 2024	273,641	-
December 23, 2024	19,739	-
Total	678,528	368,494

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

	December 31, 2024	December 31, 2023
Risk free interest rate	3.01%	3.26%
Expected term (years)	5	5
Expected volatility	133%	136%
Expected dividends	0%	0%

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17. SHARE CAPITAL AND RESERVES (continued)

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

	Options outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2023	15,786,740	0.53	2.83
Issued	4,257,210	0.57	
Expired	(2,710,946)	1.10	
Exercised	(2,458,118)	0.33	
Cancelled / Forfeited	(811,033)	0.35	
Balance, September 30, 2024	14,063,853	0.48	3.27
Issued	424,680	0.38	
Expired	(1,537,125)	1.19	
Exercised	(184,585)	0.33	
Cancelled / Forfeited	(84,603)	0.39	
Balance, December 31, 2024	12,682,220	0.39	3.50

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

Number of options	Price per share	Expiry Date	Number of options vested
1,567,500	\$0.39	May 9, 2027	1,567,500
100,000	\$0.52	August 7, 2027	25,000
200,000	\$0.33	August 22, 2027	200,000
1,487,500	\$0.25	September 30, 2027	1,487,500
810,500	\$0.18	December 22, 2027	810,500
200,000	\$0.17	January 5, 2028	150,000
941,750	\$0.32	March 31, 2028	698,500
150,000	\$0.31	April 26, 2028	112,500
1,539,360	\$0.33	June 30, 2028	1,142,020
1,182,690	\$0.29	September 20, 2028	591,345
1,134,360	\$0.53	December 20, 2028	567,180
1,158,020	\$0.58	March 20, 2029	289,505
1,392,680	\$0.61	June 5, 2029	348,170
395,180	\$0.48	September 19, 2029	-
422,680	\$0.38	December 23, 2029	-
12,682,220			7,989,720

c) Warrants

Warrant activity for the three months ended December 31, 2024

On November 19, 2029, the Company issued 34,509,890 warrants in connection with a private placement financing.

Warrant activity for the three months ended December 31, 2023

There was no warrant activity during the three months ended December 31, 2023.

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17. SHARE CAPITAL AND RESERVES (continued)

	Warrants outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2023	36,474,014	2.24	0.53
Expired	(36,474,014)	2.24	
Balance, September 30, 2024	-	-	-
Issued	34,509,890	0.65	-
Balance, December 31, 2023	34,509,890	0.65	4.88

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

Number of warrants	Exercise price per share	Expiry Date
	\$	
34,509,890	0.65	November 19, 2029
34,509,890		

c) Restricted Share Units ("RSUs")

Restricted share unit activity for the three months ended December 31, 2024

On December 23, 2024, the Company granted 2,050,000 RSUs to officers and directors of the Company. The RSUs fully vest on December 23, 2025, and have a grant date fair value of \$0.37.

Restricted share unit activity for the three months ended December 31, 2023

There was no restricted share unit activity during the three months ended December 31, 2023.

The following table discloses the number of RSUs outstanding as at December 31, 2024:

Number of RSUs	Grant Date Fair Value	Vesting Date
	\$	
2,000,000	0.46	September 19, 2025
2,050,000	0.37	December 23, 2025
4,050,000		

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.

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17. SHARE CAPITAL AND RESERVES (continued)

	For the three months ended December 31,	
	2024	2023
Net income (loss) for the period	\$(3,103,001)	\$6,972,490
Weighted average number of shares	185,799,634	168,147,570
Basic and diluted loss per share	\$(0.02)	\$0.04

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.

	For the three months ended	
	December 31, 2024	December 31, 2023
	\$	\$
Net income (loss) for the period	(3,103,001)	6,972,490
Weighted average number of shares	185,799,634	168,147,570
Effect of dilutive securities:		
Stock options	-	2,028,369
Warrants	-	-
Weighted average diluted shares outstanding	185,799,634	170,175,939
Diluted earnings (loss) per share	(0.02)	0.04

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

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

	For the three months ended December 31,			
		2024		2023
Salaries, wages, and benefits	\$	197,506	\$	264,456
Consulting services		114,925		104,142
Share-based compensation		620,953		347,931
Total	\$	933,384	\$	716,529

(b) Related party balances

As at December 31, 2024, \$217,389 (September 30, 2024 – \$173,851) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

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19. REVENUE

The Company's revenue is comprised of the following:

	For the three months ended December 31,	
	2024	2023
	\$	\$
Digital currency mining	11,266,187	9,776,354
Mining equipment hosting and set up service	170,490	372,092
Net pool revenue	-	(1,031,861)
Software license income	-	562,253
Other	196,148	11,926
	11,632,825	9,690,764

Net Pool Revenue is earned from the operation of crypto-currency mining pools and shows the net pool revenue less the pool payouts. During the three months ended December 31, 2023, this resulted in a net loss of \$1,031,861 as the pool payouts exceeded the revenue.

During the three months ended December 31, 2023, the Company earned \$562,253 as software license income related to the termination of a software license agreement with Marathon Digital Holdings, Inc. (now MARA Holdings, Inc.). The Company had \$396,780 (USD \$300,000) in outstanding accounts receivable from Marathon related to the agreement. Marathon agreed to pay USD \$450,000 and USD \$150,000 in Marathon's common stock to settle the outstanding accounts receivable and as compensation for early termination of the agreement. During the year ended September 30, 2024, the Company received \$959,253 (US\$715,934) in cash as the full settlement, as such, \$562,253 has been recorded as income during the three months ended December 31, 2023.

The Company's deferred revenue consists of the following:

	As at		As at
	December 31, 2024		September 30, 2024
Unearned revenue on hosting agreements	\$	7,355	\$ -
	\$	7,355	\$ -

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

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

	For the three months ended December 31,	
	2024	2023
	\$	\$
Utilities	5,976,639	4,608,422
Wages, contractors and other	240,286	539,229
Hosting fees	462,918	-
	6,679,843	5,147,651

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20. EXPENSES (continued)**b) General and Administrative**

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

	For the three months ended December 31,	
	2024	2023
	\$	\$
Consulting	312,684	133,726
General and administrative office expenses	18,832	24,682
Insurance	37,375	27,475
Interest and bank charges	465,788	43,143
Marketing, investor, and public relations	10,336	20,777
Professional fees	313,088	230,232
Regulatory and filing	133,030	43,141
Travel and entertainment	36,291	25,224
Wages	509,256	337,661
	1,836,680	886,061

c) Research

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

21. CAPITAL MANAGEMENT

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

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCY**(a) Fair values of financial instruments and digital currency 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 unobserva ble inputs Level 3	Total
December 31, 2024				
Short-term investments	\$ 5,516,500	\$ -	\$ -	\$ 5,516,500
Marketable securities	\$ 359,833	\$ -	\$ -	\$ 359,833
Digital currency	\$ -	\$ 53,943,274	\$ -	\$ 53,943,274
Long-term investments	\$ -	\$ -	\$ 45,000	\$ 45,000
September 30, 2024				
Marketable securities	\$ 316,803	\$ -	\$ -	\$ 316,803
Digital currency	\$ -	\$ 34,327,703	\$ -	\$ 34,327,703
Long-term investments	\$ -	\$ -	\$ 45,000	\$ 45,000

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCY (continued)

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

Financial instruments and digital currency 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, short-term investments and marketable securities are categorized as Level 1. The long-term investments and convertible debentures in unlisted private companies are measured using Level 3 inputs based on prices in recent financings. Digital currency is measured using Level 2 inputs where the source represents an average of quoted prices on multiple digital currency exchanges. No financial instruments or digital currency have been transferred between levels during the year.

b) Management of Industry and Financial Risk

The Company's financial instruments and digital currency 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 currency 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 currency. The Company may not be able to liquidate its digital currency at its desired price if required. Digital currency have a limited history, their fair values have historically been volatile and the value of digital currency held by the Company could decline rapidly. A 40% variance in price of digital currency would impact the Company's comprehensive net loss by \$21,578,000 (December 31, 2023: \$10,187,000) respectively (rounded to the nearest thousand). Historical performance of digital currency 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 cash equivalents and marketable securities, 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.

DMG Blockchain Solutions Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three Months Ended December 31, 2024 and 2023

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

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCY (continued)

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

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

	December 31, 2024	September 30, 2024
Current	\$2,977	\$ -
31- 60 days	3,700	52,910
61 - 90 days	3,284	53,848
91+ days	212,238	188,578
Total	\$222,199	\$295,336

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at December 31, 2024, the Company has a working capital of \$45,482,317 (September 30, 2024: \$22,415,807) 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 currency to meet operating needs. Digital currency is subject to fluctuations in the market price of digital currency. The current value of these assets as at December 31, 2024 is \$53,943,274 (September 30, 2024: \$34,327,703). In an event where the Company cannot rely upon the liquidation of digital currency to meet operating needs, the Company will have to explore debt financing opportunities of which there is no guarantee of the receipt of funds to cover operations.

For the period ended, December 31, 2024:

	Within 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
	\$	\$	\$	\$
Trade payables and accrued liabilities	3,748,608	-	-	-
Lease obligations	45,079	43,162	-	-
Loan payable	20,020,520	-	-	-
Total	23,814,207	43,162	-	-

For the period ended, September 30, 2024:

	Within 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years
	\$	\$	\$	\$
Trade payables and accrued liabilities	5,183,107	-	-	-
Lease obligations	49,165	54,432	-	-
Loan payable	13,928,462	-	-	-
Total	19,160,734	54,432	-	-

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.

DMG Blockchain Solutions Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended December 31, 2024 and 2023

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

22. FINANCIAL INSTRUMENTS AND DIGITAL CURRENCY (continued)

Interest Rate Risk

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

Foreign Currency Risk

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

The Company's presentation currency is the Canadian dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the entity's functional currency. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. As at December 31, 2024, the Company held net financial liabilities of \$6,374 (September 30, 2024: assets of \$954,134) denominated in US dollars \$4,430 (2024: US\$706,818). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately \$Nil (2024: \$96,000).

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 currency. As at December 31, 2024, the Company held bitcoin which has 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 currency. A 40% variance in price of these digital currency would impact the Company's comprehensive net loss by \$21,578,000 (December 31, 2023: \$10,187,000) (rounded to the nearest thousand). The Company is not exposed to any other significant price risks with respect to its financial instruments other than its marketable securities and long-term investment which are measured at fair value totaling \$404,833. A 20% change in the market price would result in a change in the net loss for the period of approximately \$81,000 (December 31, 2023: \$136,000).

23. CONTINGENCIES

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

DMG Blockchain Solutions Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the Three Months Ended December 31, 2024 and 2023****(Expressed in Canadian Dollars, except where indicated) (Unaudited)**

24. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the three months ended December 31,	
	2024	2023
	\$	\$
Receipt of equipment purchased through deposits in the prior year	149,839	-
Interest paid	63,630	63,630
Interest income	328,604	165,781

25. SUBSEQUENT EVENT

On January 28, 2025, the Company received registration for its wholly owned subsidiary, Systemic Trust Company to operate as a special purpose trust company under the Loan and Trust Corporations Act (Alberta) with Alberta's Treasury Board and Finance.