

DMG BLOCKCHAIN SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2024

(All amounts expressed in Canadian Dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of DMG Blockchain Solutions Inc. (the "Company" or "DMG") is for the year ended September 30, 2024. The MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the Canadian dollar. This MD&A should be read in conjunction with the Company's audited consolidated financial statements dated September 30, 2024, which contains the consolidated financial statements for the Company's September 30, 2024, year end and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the financial statements referred to in this MD&A and provides officers disclosure certifications filed on SEDAR. The Audit Committee reviews the financial statements and MD&A and recommends approval to the Company's Board of Directors.

This MD&A is current as at December 18, 2024.

DESCRIPTION OF THE BUSINESS

DMG Blockchain Solutions Inc. is a sustainably focused, vertically integrated blockchain and data center technology company that develops, operates and manages end-to-end digital solutions to monetize the blockchain and generative artificial intelligence (Gen AI) compute ecosystems. Focusing on its strategy and vision for blockchain and Gen AI technologies, the Company strives to maximize the value it creates from all of its assets – from its Christina Lake, British Columbia data center facility, which includes its own substation, to its Systemic Trust subsidiary and Blockseer software platforms, along with the continued strategic investments we have made and continue to make. The business lines are referred to as Core (data center infrastructure) and Core+ (software and services).

DMG's CORE

Christina Lake, BC Data Center

DMG operates its data center in Christina Lake, BC. The data center is 100% owned by DMG and includes its own privately constructed 85-megawatt substation on DMG's thirty-three-acre property along with a 27,000 square foot building. Owning this asset gives the Company advantages in power infrastructure, which is the foundation of any Bitcoin mining operation. By owning our infrastructure, DMG is not only independent from leases and landlords but also avoids the need to draw power from the community where it operates its data centers.

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DMG is in the process of a longer-term transition from its air-cooled infrastructure to utilize the latest generation of direct liquid cooling (DLC) technologies, which include immersion cooling and hydro. DLC is an operational advance, as it allows for significantly improved heat transfer rates and an associated ability to increase hardware performance. DMG's objective for adopting DLC technology is to increase energy efficiency as well as be able to access the industry's most advanced silicon technology. In May 2023, DMG purchased the first set of long lead-time dry cooler equipment that can support up to 12 megawatts of DLC capacity.

The Company has reevaluated its stance on DLC technology types. While it believes single-phase immersion cooling is likely to be one of several DLC approaches that will be utilized for future high-performance computing (including Bitcoin mining) data centers, the Company now expects the hydro DLC approach to most likely lead and become a harmonizing cooling technology used for both Bitcoin mining and Gen AI compute. Hydro DLC uses purified water, which may be mixed with glycol to prevent freezing, as its primary cooling agent rather than mineral oil (as is the case with immersion cooling), and the cooling agent only interacts with the mining chip (ASIC) or GPU devices via a "cold plate," where a copper or aluminum slab with a fluid circulating inside is attached to the device package using paste or a pad. The fluid that flows through the channels in the cold plate absorbs the heat from the devices.

In October of 2024, the Company purchased its first six megawatts of hydro mining containers, and in November 2024, it purchased 214 units of the Bitmain S21 Hydro and 1050 units of the Bitmain S21+ Hydro miners to fill the six megawatts of hydro mining containers. Combined, these are expected to generate up to 0.4 EH/s of hashrate. DMG intends to deploy these miners by spring 2025. DMG may continue to develop immersion but, for the foreseeable future, only on a limited.

For new DLC mining deployments, the Company intends to utilize commercially available container or palletized mining rack solutions from established third-party vendors rather than self-engineer the DLC systems. As the complexity of mining infrastructure has greatly increased with new DLC technologies, DMG believes it can procure cost-effective solutions from third parties with much lower development costs than building a solution in-house. DMG expects to utilize the expertise developed for this first hydro DLC deployment for subsequent Bitcoin mining build-outs at its Christina Lake data center and for other Bitcoin mining sites as well as for potential future Gen AI data centers.

To support longer term expansion, DMG continues to have ongoing discussions with multiple parties about new sites for both Bitcoin mining as well as Gen AI data center applications. On May 15, 2023, DMG announced it entered into a non-binding agreement that would result in development of a new data processing center site with access to low-cost renewable energy located in Canada in a province outside of British Columbia. While working towards a definitive agreement, DMG has been actively planning the manufacturing of power distribution infrastructure, land preparation and utility transmission interconnect. Given the protracted negotiations towards achieving a definitive agreement, DMG has simultaneously pursued other data center sites in both Canada and the United States. DMG still expects to reach a definitive agreement related to the May 15, 2023 announcement and may reach agreements with other parties in other locations.

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In October 2024, DMG announced the signing of a Memorandum of Understanding with Malahat First Nation's Economic Development Corporation to develop a total of 30 megawatts of Gen AI data centers, evenly split between the two parties. DMG plans to develop its portion of the Gen AI infrastructure at its Christina Lake facility, while Malahat will focus on expanding its infrastructure on its lands on Vancouver Island. Both parties are committed to using clean energy sources within British Columbia, aligning with the province's sustainability goals. Together, they emphasize the importance of Indigenous-owned and partnered-technology projects powered by clean energy, ensuring that First Nations, industry and government collaborate to deliver shared economic benefits to local communities while contributing to British Columbia's low-carbon future. The project will be managed through a general partnership led by DMG, subject to the execution of a definitive agreement between the parties. DMG will take responsibility for developing, managing and operating both data centers. The Company believes this partnership has the potential to be a blueprint for similar development that could be replicated throughout Canada.

The Company continues to actively focus on cash and crypto asset generation. Capital expenditures that enable new revenue and operational efficiencies are carefully reviewed, while Research and Development funds are allocated to furthering the Company's Core+ initiatives, including Systemic Trust, as detailed below. For future capital raising, the Company may utilize cash, raise additional debt or raise new equity capital with a focus on earning a return in excess of its cost of capital. As the capital intensity of the industry is increasing, with the latest Bitcoin mining equipment costing up to 50% or more compared to the Company's fleet of Bitmain T21 miners (on a dollar per amount of hashrate basis), the Company is likely to raise capital in greater amounts going forward than the US\$19 million debt facility initiated in January 2024 and \$17 million equity raised in November 2024.

DMG's Core+ – Blockseer Platforms

In early 2018, DMG acquired Datient Inc., a Silicon Valley-based technology company with a combination of data scientists and intellectual property that had created the Blockseer brand with its first product, Explorer, an analytics tool that enables tracking of cryptocurrency – bitcoin transactions initially and then transactions on both the Bitcoin and Ethereum blockchains.

DMG has since continued to develop the Blockseer technology platform. After the acquisition of Datient, DMG invested to develop WalletScore, building on the value of Blockseer's data. Now, the Company is continuing the development of the Blockseer platform focused on two distinct categories: Bitcoin Blockchain Infrastructure Software and Digital Asset Transaction Applications. Core+ software products and services are anticipated to generate multiple streams of revenue from transaction monetization as well as software licensing arrangements.

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Blockseer Platforms – Bitcoin Blockchain Infrastructure Software

Terra Pool (formerly Blockseer Mining Pool): Launched in June 2022, Terra Pool, the world's first carbon neutral Bitcoin mining pool, is a North American-based Mining Pool Operator (MPO) dedicated to decentralizing the Bitcoin network and providing more transparency in the Bitcoin mining industry. As a key element of the Core+ ecosystem, Terra Pool integrates with DMG's other Blockseer platforms, including Helm (data center facility management) and WalletScore (real-time transaction compliance) to provide Bitcoin Computing Service Providers (CSPs) with not only quality operations data but also a new standard in mining compliance and governance. DMG offers the front-end of Helm to Terra Pool CSPs to monitor their mining equipment and intends to license a full version of Helm to enable data center facility management.

While Terra Pool is currently used solely by the Company, DMG is recruiting CSPs with the objective of onboarding them onto the Terra Pool platform. Depending on counterparty agreements, Terra Pool can operate on Full-Pay-Per-Share (FPPS) or Pay-Per-Last-N-Shares (PPLNS), which are the two main approaches (along with variations) used by MPOs by which CSPs are paid for sale of their hashrate to their respective MPOs.

With FPPS, Terra Pool pays its CSPs for their hashrate based upon a formula that is a function of their hashrate contribution as a percentage of the total Bitcoin network. The payout formula is based on the current network difficulty and the average network transaction fees over a specific prior 24-hour period to derive a payout for a given amount of purchased hashrate. The CSP's average hashrate during that period is multiplied by the calculated network payout per amount of hashrate. An amount may be deducted for MPO fees. Any block reward for blocks successfully mined by Terra Pool is earned by Terra Pool and added to its designated bitcoin wallets.

Whereas with PPLNS, Terra Pool pays its CSPs for sale of their hashrate based on the number of blocks mined by the MPO as well as the specific transaction fees within those blocks. In this way, CSPs are paid for their hashrate as a percentage of the total Terra Pool hashrate within a defined period to determine their share of the pool's block rewards (block subsidy plus transaction fees), which may include on-chain fees from Petra enabled transactions, less an MPO fee.

Note that payouts with the FPPS option are smoothed out versus PPLNS with its inherent payout volatility; however, FPPS payouts are based on 144 blocks per day, while the Bitcoin network on average adds more than 144 blocks to its ledger, (as network hashrate is typically increasing), showing that there is a trade-off that CSPs need to evaluate when utilizing a pool payout method.

Helm (Data Center Facility Manager): Launched in 2018, Helm assists Bitcoin Computing Service Providers (CSPs) to maximize overall Bitcoin mining fleet uptime and efficiency. This real-time platform monitors key facility metrics, including individual and pooled hashrates, miner and facility temperature as well as other mining facility network elements, allowing CSP staff to make real-time adjustments and repairs. While Helm is currently used solely by the Company, DMG intends to license this software to other CSPs. DMG is in the process of upgrading Helm to provide highly scalable, highly responsive data center facility management software with an expected internal version to be ready in late calendar 2024. DMG intends to continue to develop Helm into a data center facility management tool for use with both air-cooled and DLC hydro Bitcoin mining with expected availability in calendar 2025.

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Blockseer Petra: The Company launched Petra in February 2023 on the Bitcoin mainnet. Petra enables financial institutions and others to place bitcoin transactions onto the blockchain in a carbon neutral and regulatory compliant manner. We believe Petra will allow regulated financial institutions new options to become more directly involved with bitcoin. DMG is currently working with ecosystem partners including its Systemic Trust subsidiary to enable a broader base of bitcoin holders to utilize Petra technology.

In addition, Petra has opened a revenue source with ordinal inscriptions. Ordinals is a protocol that enables Bitcoin-native digital artifacts called “inscriptions,” which are assigned to individual satoshis (i.e., 0.00000001 bitcoin, which is the atomic unit of the bitcoin currency) and are imbued with certain non-fungible characteristics commonly found in traditional NFTs (non-fungible tokens). Ordinals, as they are currently being implemented, were enabled by the November 2021 Taproot Bitcoin soft fork and subsequent development of Ordinals protocol launched on the Bitcoin mainnet in January 2023.

As there are in existence nearly two quadrillion satoshis, each of which can be potentially inscribed, ordinals provide a significant opportunity to utilize the Bitcoin blockchain for attaching digital artifacts, which include not only artwork but potentially a larger opportunity for immutable digital representations of unique assets.

DMG has performed several ordinal inscriptions using its Petra technology and has received revenue for services above the market rate at that time for transaction fees, some of which have been paid to DMG off-chain (i.e., fees paid in addition to the fee in the transaction that contains the ordinal inscription). DMG has also paid third parties for their services to source ordinal inscriptions. Clients have sought out the services of DMG because by utilizing Petra and Terra Pool, ordinal file sizes can be larger than the current Bitcoin protocol limitation of 0.4 megabytes (which are called large ordinals and can be up to 4 megabytes) and are inscribed in a carbon neutral manner. It is appealing to many content creators, who are already using less secure, but low-carbon intensity blockchains such as Ethereum, to instead utilize the Bitcoin blockchain, and these content creators can now work with DMG to have both greater assurance of the immutability of their inscriptions (without the 0.4 megabyte limitation) and not add carbon in the inscription process. DMG (on Terra Pool) believes it is currently the only company that can inscribe large ordinals in a carbon neutral manner.

There may be other revenue opportunities related to ordinals inscriptions based on the type of satoshi (“sat”) – an “uncommon sat” is the first satoshi in a block; a “rare sat” is the first satoshi in a block after a change in Bitcoin network difficulty (once every 2016 blocks as defined by the Bitcoin protocol). These and other sats, which may be valuable to collectors, could expand DMG’s revenue opportunity with respect to ordinal inscriptions. DMG has created an inventory of uncommon and other collectible sats, which it may be able to sell either individually or in combination with ordinals inscribed through Terra Pool.

Blockseer WalletScore: Launched in 2018, the original version of WalletScore measured the propensity of a crypto wallet to engage in criminal activity, identifying wallets related to unusual activities such as funding crimes or money laundering. Currently, WalletScore’s technology is the basis for filtering out nefarious transactions if requested from the Blockseer pools managed by the Company, including Terra Pool.

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Blockseer Breeze: This software wallet product has been implemented on Terra Pool for use to distribute earned rewards to its CSPs. In addition, DMG has built upon its Breeze wallet implementation to launch Multi-Breeze, enabling the capability for content creators to post collections of digital artwork utilizing the Ordinals protocol to the Bitcoin blockchain, then transfer ownership of individual artwork pieces to new owners, enabling per ordinal rights transfer. Upon payment for inscription services of a collection of ordinals, DMG would transfer the Multi-Breeze wallet private key (i.e. ownership) to the content creator, who in turn would digitally sign each ordinal content sale transaction as they found buyers. Recipients of ordinal content from subsequent sales can still show provenance of their art back to the original block. DMG first deployed Multi-Breeze in April 2023 and plans to continue to develop the technology.

Blockseer Platforms – Digital Asset Transaction Applications

Systemic Trust: In February 2024, DMG announced it had committed \$3.5 million to establish a Calgary, Alberta based independent digital asset custody solution for institutional clients. Systemic Trust Company Ltd. (“Systemic Trust” or “STC”) is a wholly owned subsidiary of DMG, which, subject to regulatory approval, intends to provide regulated custody of digital assets to institutional clients such as financial institutions, asset managers, corporations and public sector organizations seeking to manage digital assets.

On August 6, 2024, the Company received approval from the Ministry of Treasury Board and Finance in the Province of Alberta for the incorporation of Systemic Trust, a wholly owned subsidiary of DMG. Systemic Trust is now working with Alberta's Ministry of Treasury Board and Finance to obtain a certificate of registration that will enable Systemic Trust to provide secure custody of digital assets for institutional clients such as crypto trading platforms, banks, asset managers, corporations and government agencies that either manage cryptocurrencies, or are seeking to expand their business into cryptocurrency services. The Company has installed a management team at Systemic Trust with deep industry experience and believes the team is capable of building the infrastructure and services needed to offer an industry leading custody platform.

DMG's initial capital commitment is another step towards fully realizing the monetization goals of its Core+ strategy and its mission to advance broader digital asset adoption by building credibility and trust in digital assets for investors. DMG will bring together secure institutional wallet solutions, strong insurance policies, rigorous risk management practices, best in class off-exchange liquidity as well as innovative Office of Foreign Assets Control (OFAC) compliant and carbon neutral blockchain solutions to meet institutional demand. DMG continues to evaluate the need to provide additional capital to support the operational and regulatory requirements of Systemic Trust's business as it expands.

Systemic Trust encompasses the Company's strategy for delivering a previously designated product, Blockseer Freeze, which was planned to be a software wallet product focused on equipping crypto wallet users, including financial institutions, with an enterprise-grade custody solution to securely manage digital assets.

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Blockseer Exchange Partnerships: The Company has partnered with Bosonic, a pioneer of decentralized Financial Market Infrastructure (dFMI) technology, which eliminates counterparty risk, as digital assets are held only at qualified custodians, not exchanges. DMG can offer Terra Pool CSPs access to Bosonic's platform. DMG continues to actively support the development of Bosonic's business opportunity so that the Company may realize a return on its original investments in Bosonic.

Reactor.xyz: Purchased from Navier, Inc. in October 2024, Reactor.xyz ("Reactor") is a highly-optimized solution to automate and manage hashrate contracts. Specifically unique to the software, for which there are several patent applications, is its balancing algorithm that assures hashrate delivery. A hashrate contract allows Bitcoin miners, which typically sell hashrate directly to an MPO, to sell their hashrate to buyers willing to pay upfront for a specified term. These buyers are typically incentivized by a discount compared to what the sellers would be expected to earn in bitcoin payouts over the contract period. For sellers, this arrangement provides faster access to payment, serving as a valuable treasury management tool akin to factoring receivables. Reactor's key enabling technology assures that the hashrate transferred from seller to buyer meets the contract's requirements for the entirety of its term. This technology allows for highly granular hashrate delivery, ranging from 100 TH/s (equivalent to a single older generation Bitcoin mining machine) to over 1 EH/s (equivalent to an industrial mining farm). Having been developed and operating over the past several years, Reactor is a proven solution. The Company intends to further develop Reactor to optimize its use within its Blockseer platform.

Blockseer Explorer: Launched in 2015, Explorer is an analytics tool that enables the tracking of cryptocurrency on both the Bitcoin and Ethereum blockchains. The Company is planning to upgrade Blockseer Explorer for Bitcoin to offer a general purpose bitcoin transaction explorer with downloadable reports as well as the ability to report transaction history between any two wallets with an expected launch in calendar 2025. The needed development work on Explorer has been deferred from late calendar 2024, as the Company has prioritized continued development of the Systemic Trust customer portal, an upgrade of the Terra Pool software platform and a rigorous evaluation of Reactor ahead of purchasing the Reactor software assets and related intellectual property. The Company continues to prioritize these developments along with development of Helm for third parties and further development of Reactor ahead of a new version of Explorer.

Bitcoin Market Trends

For the quarter ended September 30, 2024, compared to the quarter ended June 30, 2024, the bitcoin price decreased 7% (quarter average vs prior quarter average) to \$83,290 CAD. Concurrently, the Bitcoin network hashrate and difficulty increased by 5% and 3% respectively (quarter average vs prior quarter average) to 629 EH/s and an 87.0 trillion difficulty level (average for the quarter). Bitcoin mining network revenue per EH/s decreased 32% from the prior quarter to \$5.7 million on the impact of the Bitcoin "halvening" event on April 19, 2024, lower bitcoin pricing and increased network difficulty. These fluctuations are common, and entities within the industry need to be well-prepared to weather the volatility of Bitcoin mining economics to thrive.

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For the quarter ended September 30, 2024, compared to the quarter ended September 30, 2023, bitcoin price increased 121% (quarter average vs prior year quarter average) from \$37,715. Concurrently, the Bitcoin network hashrate and difficulty level respectively increased by 61% and 62% (quarter average vs prior year quarter average) from 390 EH/s and 53.8 trillion respectively. Bitcoin mining network revenue per EH/s decreased 32% (quarter average vs prior year quarter average) from \$8.4 million.

For the year ended September 30, 2024, bitcoin price increased 125% (year average vs prior year average) from \$32,693 to \$73,525. Concurrently, the Bitcoin network hashrate and difficulty level respectively increased by 74% and 75% (year average vs prior year average) from 326 EH/s and 44.7 trillion to 567 EH/s and 73.8 trillion respectively. Bitcoin mining network revenue per EH/s increased 2% (year average vs prior year average) from \$34.9 million to \$35.5 million.

On January 10, 2024, the U.S. Securities and Exchange Commission (SEC) approved applications from multiple firms to create U.S.-listed spot bitcoin ETFs. These include some of the largest U.S. financial services firms such as Blackrock and Fidelity. These spot bitcoin ETFs have improved accessibility to, and market sentiment on bitcoin, potentially attracting new investors and continuing to have a positive impact on bitcoin price. In addition, on November 5, 2024, Donald Trump was elected as U.S. president, with his term commencing January 20, 2025. Based on prior statements made by Mr. Trump along with his Securities and Exchange Commission chair nomination, it is anticipated that the regulatory environment for cryptocurrency in the U.S. may become more favorable and that the U.S. government could establish a sizable bitcoin reserve that could grow over an extended period, which in turn may encourage other governments globally to adopt bitcoin as a tool for diversifying state assets in a similar manner. These potential secular demand drivers could collectively be supportive of bitcoin pricing in the future.

Future changes in the Bitcoin network mining difficulty or hashrate may materially affect the future performance of DMG's production of bitcoin, and future operational results could also be materially affected by changes in the price of bitcoin as well as mining hashrate and difficulty. The most recent Bitcoin halvening (also referred to as halving) occurred on April 19, 2024. The halvening is a process designed to control the overall supply and reduce the risk of inflation in bitcoin. At a predetermined block, the mining block subsidy is cut in half. A Bitcoin halvening is scheduled to occur once every 210,000 blocks or roughly every four years until the total amount of newly issued bitcoin reaches 21 million, which is expected to occur around the year 2140. DMG believes that despite potential short-term decreases in profitability, the market variables of the Bitcoin network will adjust over time to ensure that mining remains profitable, and thus DMG continues to make investments towards increasing its hashrate through the purchase of additional miners along with improving its overall mining fleet efficiency.

ANNUAL HIGHLIGHTS

- In December of 2023, the Company signed an agreement with Bitmain Technologies to purchase 4,550 T21 190 TH/s bitcoin miners for US\$12,103,000 (US\$14/TH/s). Financing of the purchase occurred through cash and debt.
- 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 9, 2024, the interest rate increased to 9% and facility increased up to \$19,000,000 USD.

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- During the year ended September 30, 2024, the Company established a wholly owned subsidiary in Alberta to establish an independent digital asset custody solution for institutional clients, Systemic Trust.
- During the year ended September 30, 2024, the Company received in its wallets from mining activity 502.51 bitcoin (2023: 878.21) and ended the year with a balance of 386.72 bitcoin (2023: 468.44). The production of bitcoin has ramped up during the year as the Company continues to receive and install additional miners. During the year ended September 30, 2024, the Company has installed 4,581 miners (2023: 1,852) for a total of 15,475 operating miners (2023: 10,893)

OVERALL PERFORMANCE

	For the year ended September 30,		
	2024	2023	2022
	\$	\$	\$
Revenue	33,900,083	27,940,995	43,236,152
Net loss for the year	(5,229,562)	(16,461,728)	(16,975,396)
Basic and diluted loss per common share	(0.03)	(0.10)	(0.10)
Total assets	103,868,981	82,586,955	96,902,049
Total non-current liabilities	51,842	41,202	92,809

Revenue has increased by \$5,959,088 from \$27,940,995 in 2023 to \$33,900,083 in 2024. The increase in revenue is attributable to increases in digital currency mining revenues attributable to a 125% increase in the average price of bitcoin over the year as compared to the prior year. The Company also added new mining equipment received throughout the year. The Company continues to be focused on revenue generation from self-mining and technologies that monetize bitcoin transactions. Additionally, there was a \$493,318 increase in software licenses and related development income as compared to the prior year.

Net loss decreased for the year by \$11,232,166 to \$5,229,562 for the year ended September 30, 2024 (2023 - \$16,461,728). The decrease is a result of increases in revenue of \$5,904,454, unrealized gains on digital currency of \$4,877,316, realized gains on the sale of digital currency of \$2,011,847, and an overall decrease in depreciation on fixed assets of \$2,956,078, offset by an overall increase in operating and maintenance costs of \$2,936,624.

Total assets as at September 30, 2024 was \$103,868,981 (2023 - \$82,586,955), an increase of \$21,282,026. The increase is mostly attributable to an increase in digital currency of \$17,185,020 due to the increase in the fair value of BTC as compared to the prior period. Net property and equipment increased by \$6,400,393, offset by a decrease in assets held for sale of \$3,451,024.

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RESULTS OF OPERATIONS

Twelve Months Ended September 30, 2024

Operating and maintenance expenses for the year ended September 30, 2024, reached \$19,733,886, up from \$16,797,262 in the previous year ended September 30, 2023. This increase is primarily attributed to a \$2,570,549 rise in utilities expenses, driven by expanded digital currency mining operations as miners were added during the year. The number of miners grew by 56%, totaling 15,475, compared to 9,921 in the prior year. Despite the greater number of miners, the amount of bitcoin generated per unit of compute decreased 52% over the last year due to the halvening event that occurred in April of 2024 as well as the overall increase in network difficulty, which more than offset this increase.

General and administrative costs for the year ended September 30, 2024 was \$5,860,448 in comparison to \$3,729,643 for the year ended September 30, 2023. General and administrative costs consist mostly of wages, professional fees, consulting fees and financing costs. These costs increased during the year mainly due to the ramp up of operations of the Company's wholly owned subsidiary Systemic Trust. Wages and consulting fees increased by \$957,863 and professional fees by \$423,934. The Company also incurred additional interest expense related to a loan with Sygnum which contributed to financing costs increasing \$613,512.

Stock-based compensation for the year ended September 30, 2024 was \$1,795,391 compared to the prior year of \$1,804,551. The options issued in fiscal 2024 were 4,257,210 (down from the prior year number of 5,305,486). The Company also issued 2,000,000 Restricted Share Units (RSUs) for the first time in fiscal 2024.

Research and development costs for the year ended September 30, 2024 was \$2,126,276 compared to \$1,951,868 in the prior year. These costs include salaries and wages for work on software and subscription costs for servers related to development software. Research in fiscal 2024 focused on software and relates to development work mainly on Systemic Trust, Terra Pool, Helm and Explorer.

Depreciation for the year ended September 30, 2024 was \$18,946,204 compared to \$21,902,282 in the prior year. The decrease is due to the timing of new installations, which did not ramp up until the later half of fiscal 2024; miners installed in the prior fiscal year drew a smaller depreciation charge due to the accounting policy of declining balance, which is calculated monthly.

Fourth Quarter 2024

In the three months ended September 30, 2024, revenue was \$5,898,794, up \$250,971 from the same quarter in fiscal 2023. Digital currency mining saw an increase of \$37,795 related to the mining of 65.54 bitcoin, 79.33 less than the previous year. Overall hashrate production increased as a result of an additional miners in conjunction with miners received during the last fiscal year. In addition, the average price of bitcoin increased significantly from the prior year quarter from \$37,744 to \$83,290. However, the decrease in bitcoin mined is attributable to the results of the April 19, 2024 halvening event and increase in the difficulty of mining bitcoin by 75% over the last year.

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Operating and maintenance costs for the three months ended September 30, 2024 was \$4,640,105 as compared to \$3,637,267 in the same quarter in the prior year. The increase is a result of increases in utilities costs of \$1,020,950 which is related to the increase in digital currency mining activity and the net increase in miners throughout the period. There were 15,475 miners installed as at September 30, 2024 as compared to 9,921 miners installed as at September 30, 2023.

General and administrative costs for the three months ended September 30, 2024 was \$1,651,016 in comparison to \$1,129,8568 during the three months September 30, 2023. These consisted mostly of consulting, wages, and professional fees. The overall increase of \$521,448 is attributable to an increase of \$77,408 in consulting fees, and \$232,050 in professional fees; all of these increases are mainly attributable to Systemic Trust and operations related to the Trust. Finance costs increased \$250,866 related to the Company's credit facility with Sygnum bank.

Stock-based compensation for the three months ended September 30, 2024 was \$547,944 compared to the 2023 prior period of \$321,376. In the fourth quarter, the Company issued restricted share units for the first time, issuing an additional number of units as compared to the prior quarter.

Research and development costs for the three months ended September 30, 2024 was \$597,962 compared to \$539,949 in the prior year, same period. These costs include salaries and wages for work on software and subscription costs for servers related to software. Research in the three months ended September 30, 2024 focused on software and relates to development work mainly on Systemic Trust and Terra Pool.

Depreciation for the three months ended September 30, 2024 was \$5,761,194 as compared to \$4,622,514 for the three months ended September 30, 2023. The increase is largely attributable to the large amount of mining equipment received in the most recent fiscal quarter and depreciated on a declining balance basis.

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Selected Quarterly Information for the most recent completed Quarters:

	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
	Q4	Q3	Q2	Q1
Revenue	5,898,794	8,294,866	10,015,659	9,690,764
Bitcoin earned from mining¹	65.54	86.67	152.81	195.93
Net income (loss)	(8,366,329)	(3,837,937)	2,215	6,972,490
Comprehensive income (loss)	(8,724,788)	(8,650,927)	15,463,152	6,982,572
Basic earnings (loss) per share	(0.05)	(0.02)	0.00	0.04
Diluted earnings (loss) per share	(0.05)	(0.02)	0.00	0.04
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	Q4	Q3	Q2	Q1
Revenue	5,647,823	7,495,257	7,623,323	7,174,592
Bitcoin earned from mining	144.87	195.71	264.10	273.53
Net loss	(2,761,043)	(4,273,532)	(2,423,749)	(7,003,404)
Comprehensive income (loss)	(8,836,454)	(3,038,818)	2,454,269	(7,013,304)
Basic and diluted loss per share	(0.02)	(0.03)	(0.01)	(0.04)

Summary of Quarterly Results

- Revenue decreased by \$2,450,706 for the three months ended September 30, 2024 compared to the three months ended June 30, 2024. Revenue decreases are mainly attributed to the decrease in bitcoin earned from mining of 65.54 as compared to 86.67 due to the April 19, 2024 halvening event, the increase in network difficulty and decrease in the price of bitcoin from an average of \$89,990 to \$83,290. Net loss increased from the prior quarter by \$1,391,625 as a result of decreases in revenue as described above.
- Revenue decreased by \$1,720,793 for the three months ended June 30, 2024 compared to the three months ended March 31, 2024. Revenue decreases are mainly attributed to the decrease in bitcoin earned from mining of 86.67 as compared to 152.81 due to the halvening that occurred in April 2024. The decrease in the amount of bitcoin mined was offset by increases in the price of bitcoin from an average of \$71,851 to \$89,990. Net loss increased from the prior quarter by \$3,840,152 as a result of decreases in revenue as described above and increases in depreciation of \$1,231,5252 due to addition of miners in the quarter.
- Revenue increased by \$324,895 for the three months ended March 31, 2024 compared to the three months ended December 31, 2023. Mining revenue increased by \$1,108,805 is attributed to the increase in average price of bitcoin of \$71,851 as compared to the prior quarter of \$49,006, offset by a decrease in bitcoin earned from mining 195.93 as compared to 152.81. The Company recognized software license income of \$562,253 in the prior period that was non-recurring. Net income decreased from the prior quarter by \$6,790,275 due to an increase in unrealized loss on revaluation of digital currency of \$7,143,404.

¹ Bitcoin earned from cryptocurrency mining is received by the Company at certain payout thresholds and may not reflect total amounts mined due to the timing of payouts.

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- Revenue increased by \$4,042,941 for the three months ended December 31, 2023 compared to the three months ended September 30, 2023. Mining revenue increased by \$4,337,205 due to the installation of additional miners increasing bitcoin earned from mining from 144.87 to 195.93. Net income increased from the prior quarter by \$9,733,533 due to an increase in revenue as discussed above and an increase in unrealized gain on revaluation of digital currency of \$3,861,388.
- Revenue decreased by \$1,847,434 for the three months ended September 30, 2023 compared to the three months ended June 30, 2023. Mining revenue decreased by \$2,042,146 as the amount of bitcoin mined decreased from 195.71 to 144.87 due to the increase of difficulty in mining. Net loss decreased from the prior quarter by \$1,512,489 due to an unrealized gain on revaluation of digital currency of 4,301,472, offset by decrease in revenue and a sales tax write-off of \$1,805,343.
- Revenue decreased by \$128,066 for the three months ended June 30, 2023 compared to the three months ended March 31, 2023. Net loss increased from the prior quarter by \$1,849,783 due to an increase in revenue as discussed above and an increase in unrealized loss on revaluation of digital currency.
- Revenue increased by \$448,731 for the three months ended March 31, 2023 compared to the three months ended December 31, 2022. Mining currency increased by \$1,134,201 due to an increase in the price of bitcoin. Total revenue increases were offset by net pool revenue of (\$738,947). Net loss decreased from the prior quarter by \$4,579,655 due to an increase in revenue as discussed above and an increase in unrealized gain on revaluation of digital currency of \$1,415,660.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company had positive working capital of \$22,415,807 (September 30, 2023: \$19,875,378). The increase in working capital primarily relates to the increase in digital currency of \$17,185,020, offset by an increase in loans payable of \$12,656,065 and a decrease in assets held for sale of \$3,451,024.

The Company incurred cash inflows from operations for the year ended September 30, 2024 of approximately \$8.2 million, compared to \$4.9 million for the year ended September 30, 2023. The Company had significant increases in revenue of \$5.9 million compared to last year, contributing to the increase in cash inflows from operations. The Company invested \$2.4 million in property and equipment and made deposits of an additional \$18.0 million toward mining equipment. Of these deposits paid, all but \$1.6 million worth of mining equipment was received and installed as at September 30, 2024. As at September 30, 2024, the Company had 386.72 bitcoin valued at \$34,327,703.

To the extent that the Company has negative operating cash flow in future periods, it will be necessary for the Company to liquidate digital assets into cash or raise additional equity or debt. The Company does have significant price risk exposure related to its digital currency. There is no assurance that additional equity or debt will be available to the Company or on terms acceptable or favourable to the Company.

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Significant Events, Milestones or Objectives

The primary business objectives for the Company over the next 12 months are as follows:

- The Company intends to continue to upgrade and expand its Christina Lake facility along with seeking to develop other sites and purchase additional Bitcoin mining servers with a target Company hashrate of up to 3 EH/s over the course of fiscal 2025, including the first phase of its hydro DLC technology mining deployment. In addition, the Company intends to make its first Christina Lake facility site upgrades to support at least 15 megawatts of Gen AI compute capacity over the course of fiscal 2025.
- The Company intends to continue to develop its software and related services through software engineering, research & development and strategic partnerships in order to meet both the current and anticipated needs of its customers, with the goal of enabling a carbon neutral Bitcoin ecosystem built on Bitcoin mining, Terra Pool and Systemic Trust.
- The Company intends to increase its sales and marketing efforts of its Core+ initiatives, mainly through outbound sales by employees or consultants supported by online marketing (website traffic and social media engagement).
- Subject to regulatory approval, System Trust Company will commence business operations and offer provide regulated custody of digital assets to institutional clients such as financial institutions, asset managers, corporations and public sector organizations seeking to manage digital asset
- The Company is actively focused on deploying capital that can generate returns in excess of its cost of capital, managing cash flow that optimizes the timing of expenditures and keeping a lean structure that is focused on achieving specific targeted objectives.
- The Company intends to raise funding in fiscal 2025, subject to prevailing business and market conditions. This may include debt, equity or a combination thereof in order to facilitate its growth.

There can be no assurances the above objectives will be completed prior to the stated deadline or at all.

SHARE CAPITAL ACTIVITY

Share capital activity for year ended September 30, 2024

During the year ended September 30, 2024, the Company issued 2,458,118 common shares in connection with the exercise of stock options for proceeds of \$816,352. As a result, \$1,449,563 has been reclassified from share-based payment reserve to share capital.

Share capital activity for year ended September 30, 2023

During the year ended September 30, 2023, the Company issued 786,438 common shares in connection with the exercise of stock options for proceeds of \$182,540. As a result, \$256,559 has been reclassified from share-based payment reserve to share capital.

OUTSTANDING SHARE DATA

As at the date of this document, the Company had 203,104,518 common shares issued and outstanding, 5,209,040 warrants issued and outstanding, 14,016,768 stock options issued and outstanding, and 2,000,000 restricted share units issued and outstanding.

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FINANCIAL INSTRUMENTS, DIGITAL CURRENCIES AND RISK MANAGEMENT

(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		Significant other observable inputs		Significant unobservable inputs		Total
	Level 1	Level 2	Level 3				
September 30, 2024							
Marketable securities	\$ 316,803	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,803
Digital currencies	\$ -	\$ 34,327,703	\$ -	\$ -	\$ -	\$ -	\$ 34,327,703
Long-term investments	\$ -	\$ -	\$ -	\$ 45,000	\$ -	\$ -	\$ 45,000
September 30, 2023							
Marketable securities	\$ 386,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 386,984
Digital currencies	\$ -	\$ 17,142,683	\$ -	\$ -	\$ -	\$ -	\$ 17,142,683
Long-term investments	\$ -	\$ -	\$ -	\$ 45,000	\$ -	\$ -	\$ 45,000

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

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

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

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

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

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

b) Management of Industry and Financial Risk

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

Credit Risk

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

The Company is not exposed to a significant credit risk with respect to its trade accounts receivable balance. The Company decreased its exposure to credit risk by decreasing its overall hosting clients and 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 condensed consolidated interim statements of financial position. As at September 30, 2024, no amounts were held as collateral.

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.

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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 these digital currencies would impact the Company's comprehensive net loss by \$13,732,000 (2023: \$6,858,000) (rounded to the nearest thousand). Historical performance of digital currencies is not indicative of their future performance.

New regulatory restrictions or other action, particularly in the United States, may negatively affect the value of bitcoin. Notwithstanding the recent U.S. presidential election results, enforcement actions by the SEC or other regulators against market participants may indirectly negatively affect the Company if these actions have the effect of limiting access to bitcoin.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at September 30, 2024, the Company has a working capital of \$22,415,807 (2023: \$19,875,378) and does not require any additional financing to meet short-term operating requirements. The Company's cash is held with large Canadian financial institutions and is available on demand. If there are additional cash requirements, the Company has the option to liquidate digital currencies to meet operating needs. These digital currencies are subject to fluctuations in the market price of digital currencies. The current value of these assets as at September 30, 2024 is \$34,327,703 (2023: \$17,142,683). In the event where the Company cannot rely upon the liquidation of digital currencies to meet operating needs, the Company will have to explore debt financing opportunities of which there is no guarantee of the receipt of funds to cover operations.

Market Risk

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

Interest Rate Risk

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

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Foreign Currency Risk

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

The Company's presentation currency is the Canadian dollar, and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the entity's functional currency. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. As at September 30, 2024, the Company held net financial assets of \$954,134 denominated in US dollars (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 \$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 currencies. As at September 30, 2024, the Company held bitcoin and ether which have a limited history and historically prices have been volatile. A significant change to the price of bitcoin may affect the Company's ability to liquidate digital currencies. A 40% variance in price of these digital currencies would impact the Company's comprehensive net loss by \$13,732,000 (2023: \$6,858,000) (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 \$361,503. A 20% change in the market price would result in a change in the net loss for the period of approximately \$73,000 (2023: \$87,000).

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RELATED PARTY TRANSACTIONS

(a) Key management compensation and other related party transactions

Key management² 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:

		2024		2023
Salaries, wages, and benefits	\$	1,382,632	\$	1,161,196
Consulting services		440,526		430,884
Share-based compensation		1,651,833		1,631,417
Total	\$	3,474,991	\$	3,223,497

(b) Related party balances

As at September 30, 2024, \$173,851 (September 30, 2023 – \$573,402) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

		2024		2023
Sheldon Bennett	\$	125,738	\$	157,432
Adrian Glover		15,544		26,033
Jenya Bennett		-		243,767
Steven Eliscu		25,570		145,509
Heather Sim		1,308		661
John D. Abouchar		4,467		-
John Place		1,224		-
Total	\$	173,851	\$	573,402

Off-Balance Sheet Transactions

The Company has not entered into any significant off-balance sheet arrangements or commitments.

² Key management consists of Sheldon Bennett Chief Executive Officer, Adrian Glover Chief Technology Officer, Nick Seto former Director, Justin Rasekh former Director, Jenya Bennett related to Chief Executive Officer, Steven Eliscu Chief Operating Officer, Kelly Allin former Director, Heather Sim Chief Financial Officer, John D. Abouchar Director and John M. Place Director.

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New accounting pronouncements

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

Future IFRS pronouncements and amendments

IFRS Sustainability Disclosure Standards

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

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

In March of 2024, the Canadian Sustainability Standards Board (“CSSB”) proposed two exposure drafts on 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 Green house 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.

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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 that are expected to have a material impact on the Company.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

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Judgements

Going concern

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

Revenues from cryptocurrency mining and related service contracts

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

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

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

Recoverability of sales tax receivable

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

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Income taxes

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

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

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

Assessment of indicators of impairment

Management uses judgement when determining at each period end about the existence of impairment indicators. In the event management has determined that impairment indicators exist, management performs an impairment test, see “Carrying value of mining equipment and data center” below.

Recoverability of digital currencies held with a custodian in receivership

The Company holds digital currencies, Bitcoin and Ether, with Prime Trust, a custodian in receivership with the State of Nevada. The recoverability of these digital currencies has been determined by management based on information available regarding the legal proceedings and the categorization of the property held as either state property or depositor property.

Estimates

Valuation of digital currencies

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

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

Carrying value of mining equipment and data center

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

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

Key assumptions in the impairment assessment are modelled based on future events. As at September 30, 2024, the most sensitive assumptions in the development of the model are bitcoin price, network difficulty and energy cost.

Useful life of digital asset mining equipment

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

- (i) the complexity of the mining process which is driven by the algorithms contained within the digital assets open-source software;
- (ii) the general availability of appropriate computer processing capacity on a global basis;
- (iii) technological obsolescence, reflecting rapid development in the mining machines such that more recently developed hardware is more economically efficient to operate but also is typically more capital intensive versus older generation hardware.

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

Fair value measurement of stock options and broker warrants

Estimating fair value for stock options and broker warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the stock options and broker warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options and broker warrants are disclosed in Note 17 of the financial statements.

PROPOSED TRANSACTIONS

There are no proposed transactions as at the date of this document.

COMMITMENTS

As at September 30, 2024, the Company had no outstanding commitments.

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SUBSEQUENT EVENTS

On October 29, 2024, the Company repaid the outstanding mortgage balance of \$1,000,000 in full.

On November 19, 2024, the Company a prospectus financing issuing 32,556,550 units at \$0.53 for gross proceeds of \$17,254,945. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at \$0.65 per share for a period of five years. In connection with the offering, the Company incurred a cash commission of \$1,035,297, legal expenses of \$145,480 and issued 1,953,390 broker warrants. Each broker warrant is exercisable for a period of five years at \$0.53 into one common share and one warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.65 per share for a period of five years.

Subsequent to year-end, the Company issued 47,085 shares related to the exercise of options for proceeds of \$15,538.

Digital Currency and Risk Management

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

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; in addition, the Company may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market price for digital currency could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital currency sales.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. The Company's digital currencies currently consist primarily of bitcoin.

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There is also a risk that the Company could be negatively affected by a Bitcoin halvening (also referred to as halving) event. The halvening is a process designed to control the overall supply and reduce the risk of inflation in bitcoin. At a predetermined block, the mining block subsidy is cut in half. The Bitcoin blockchain has undergone three halvenings since its inception. A Bitcoin halvening is scheduled to occur once every 210,000 blocks or roughly every four years until the total amount of newly issued bitcoin reaches 21 million, which is expected to occur around the year 2140. In May 2020, the Bitcoin block subsidy decreased from 12.5 bitcoin per block to 6.25 bitcoin per block and, consequently, the number of new bitcoin issued to all miners as a subsidy decreased to 900 per day. The most recent Bitcoin halvening occurred on April 19, 2024, decreasing the block subsidy to 3.125 bitcoin per block and the number of new bitcoin issued to all miners as a subsidy decreased to 450 per day. The next halvening event is expected to occur in early 2028. While bitcoin prices have had a history of price fluctuations around halvenings, there is no guarantee that the price change will be favorable or would compensate for the reduction in the mining block subsidy. There is a risk that the Bitcoin halvening will render the Company unprofitable and unable to continue as a going concern.

Negative Operating Cash Flows

The Company generates consistent revenue through digital currency mining, hosting and software licensing. Despite increases in revenue, the Company is subject to variable returns; the Company has not consistently had positive operating cash flows. Without additional sources of revenue or continued favorable digital currency prices, the Company may continue to have negative operating cash flows until it can realize stable cash flows from operations.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees (if any) of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees (if any) of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Market Risk for Securities

The Company is a reporting issuer whose common shares are listed for trading on a stock exchange. There can be no assurance that an active trading market for the Company's common shares will be sustained in the future. The market price for the Company's common shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time-to-time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies. Consequently, you may lose your entire investment.

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Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

The Company is currently and from time to time subject to litigation and cannot predict the outcome of any current or future legal proceedings with respect to its current or past business practices. The Company is, and may in the future be, subject to legal proceedings in the course of its business or otherwise, including, but not limited to, actions relating to contract disputes, business practices, intellectual property, and other commercial, tax and regulatory matters. Legal proceedings may involve claims for substantial amounts of money or for other relief, and the defense of such actions may be expensive. The process of litigating requires substantial time, which may distract our management. Even if we are successful, any litigation may be costly. If any such proceedings were to result in an unfavorable outcome, it could have an adverse effect on the Company's liquidity, operations, and financial results.

Conflicts of Interest Risk

Certain directors and officers of the Company are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from the Company's interests. In accordance with the *BC Business Corporation Act*, directors who have a material interest in any person who is a party to a material contract, or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on any matter in which such directors may have a conflict of interest.

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Loss of Access Risk

The loss or destruction of a private key required to access the Company's digital wallets may be irreversible. The Company's loss of access to its private keys or its experience of a data loss relating to the Company's digital wallets could adversely affect its investments. Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. The Company will publish the public key relating to digital wallets in use when it verifies the receipt of cryptocurrency transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its cryptocurrency inventory, and such private keys will not be capable of being restored by the network. Any loss of private keys relating to digital wallets used to store the Company's cryptocurrency inventories could adversely affect its investments and profitability.

Bitcoin is controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the bitcoin is held. While the Bitcoin Network requires a public key relating to a digital wallet to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the bitcoin held in such a wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Company would be unable to access the bitcoin held in the related digital wallet and the private key would not be capable of being restored.

Loss of Access to and Pricing of Electrical Power

The Company's mining revenue is dependent on electricity to power its mining equipment in the province of British Columbia. The Company is subject to changes in utility rate schedules as well as government regulations and laws that may prevent or restrict the amount of power sold to digital currency mining companies and the price at which it is sold. There is a risk that in the event of a change in utility rate schedules and government laws that the Company may not be granted an exemption based on historical contracts and existing operations. The Company is currently evaluating options to mitigate this risk further, including but not limited to site diversification.

Global Economic Risk

Economic slowdown and downturn of global capital markets would make raising of capital through equity or debt financing more difficult. The Company will be dependent upon capital markets to raise additional financing in the future. The Company is subject to liquidity risks in meeting developmental and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized resulting in an adverse impact on the Company's operations and the price of the Company's common shares.

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Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly cryptocurrency companies, like the Company, have experienced wide fluctuations that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

OTHER INFORMATION

Additional information on the Company is available on SEDAR+ at <https://www.sedarplus.ca>.