

DMG BLOCKCHAIN SOLUTIONS INC.
AMENDED & RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE QUARTER ENDED June 30, 2019

(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 nine months ended June 30, 2019. 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 amended and restated condensed interim consolidated financial statements for period ended June 30, 2019 in addition to the audited annual consolidated financial statements for the year ended September 30, 2018 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 contains certain statements that may constitute "forward-looking statements." Statements about the Company's plans and intentions, other potential transactions, further development of technologies, acquisition of customers, product development, events, courses of action, and the potential of the Company's technology and operations, among others, are all forward-looking information. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such information can generally be identified by the use of forwarding looking wording such as "may", "expect", "estimate", "anticipate", "intend", "believe" and "continue" or the negative thereof or similar variations. The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, including but not limited to, business, economic and capital market conditions; the ability to manage operating expenses, which may adversely affect the Company's financial condition; the ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; access to equipment; market conditions and the demand and pricing for products; the demand and pricing of Bitcoins; security threats, including a loss/theft of DMG's Bitcoins; DMG's relationships with its customers, distributors and business partners; the inability to add more power to DMG's facilities; DMG's ability to successfully define, design and release new products in a timely manner that meet customers' needs; the ability to attract, retain and motivate qualified personnel; competition in the industry; the impact of technology changes on the products and industry; failure to develop new and innovative products; the ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect the business; the ability to manage working capital; and the dependence on key personnel. DMG may not actually achieve its plans, projections, or expectations. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the demand for its products, the ability to successfully develop software, that there will be no regulation or law that will prevent the Company from operating its business, anticipated costs, the ability to achieve goals and the price of Bitcoin. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, failure to obtain regulatory approval, the continued availability of capital and financing, equipment failures, lack of supply of equipment, power and infrastructure, failure to obtain any permits required to operate the business, the impact of technology changes on the industry, competition, security threats including stolen Bitcoins from DMG or its customers, consumer sentiment towards DMG's products, services and blockchain technology generally, failure to develop new and innovative products litigation, increase in operating costs, increase in equipment and labor costs, failure of counterparties to

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perform their contractual obligations, government regulations, loss of key employees and consultants, and general economic, market or business conditions. Forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The reader is cautioned not to place undue reliance on any forward-looking information. The forward-looking statements contained in this MD&A are made as of the date hereof. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.

Additional information relating to the Company can be located on SEDAR at www.sedar.com

This MD&A is current as at August 29, 2019.

DESCRIPTION OF THE BUSINESS

DMG Blockchain Solutions Inc. (the "Company") (formerly AIM Explorations Ltd.) was incorporated as a private company pursuant to the provisions of the *B.C. Business Corporations Act* on April 18, 2011.

The Company's head office and principal place of business is Suite 490 – 1090 Homer Street, Vancouver, British Columbia, Canada, V6B 2W9.

On February 8, 2018, the Company completed its Qualifying Transaction with the private operating company formerly known as DMG Blockchain Solutions Inc. in accordance with the policies of the TSX Venture Exchange (the "TSX-V").

On February 13, 2018, the Company commenced trading on the TSX-V under the name DMG Blockchain Solutions Inc. under the symbol DMGI. On February 1, 2019, the Company was issued a cease trade order for failure to file its annual financial statements, and thus did not meet its continuous disclosure obligations. On August 28, 2019, the cease trade order was lifted and the Company resumed trading.

The Company is a full service blockchain company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. The Company has operated its transaction verification services business ("Transaction Verification Services"), commonly known as Bitcoin mining, in Western Canada since October 2016. The Company is now involved in server hosting and other similar service arrangements for the transaction verification services business and software solutions. The Company is also involved developing enterprise blockchains, crypto-forensics and big data analytics as well as in research and development of technology solutions related to transaction verification services business.

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QUALIFYING TRANSACTION

On February 8, 2018, the Company, previously known as Aim Explorations Ltd., closed its qualifying transaction (“Transaction”) with a B.C. private company previously known as DMG Blockchain Solutions Inc. (“OpCo”). As part of the transaction, OpCo performed a three-cornered amalgamation with its wholly-owned subsidiary 1139957 B.C. Ltd. (“AmalCo”) to become the amalgamated entity 1152176 B.C. Ltd. Aim Explorations Ltd. was legally renamed DMG Blockchain Solutions Inc. and the new amalgamated entity became a legal subsidiary of DMG Blockchain Solutions Inc. (formerly Aim Explorations Ltd.). All the issued and outstanding shares warrants and options of AmalCo were exchanged for shares of DMG Blockchain Solutions Inc. on a one-to-one basis. AmalCo continues to be an operating entity of the group of companies and transacts business under the name of DMG Blockchain Solutions Inc.

Consideration paid and issued:

Cash (US\$1,038,473)	\$ 1,308,476
Promissory note (US\$766,029)	965,196
Total acquisition consideration	\$ 2,273,672

The fair value of the identifiable assets and liabilities of Datient as at the date of acquisition:

Cash	\$ 166,537
Tradenname	21,000
Identifiable intangibles	1,019,000
Accounts payable	(76,307)
Deferred income tax liability	(122,469)
Identifiable net assets	\$ 1,007,761

The cash flows on acquisition comprised \$1,308,476 paid and \$166,537 acquired, for a net use of cash of \$1,141,939.

The calculation of goodwill as at the date of acquisition:

Acquisition consideration	\$ 2,273,672
Non-controlling interest	6,138,461
Less: Identifiable net assets	(1,007,761)
Goodwill	\$ 7,404,372

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BUSINESS OUTLOOK

The Company is a diversified blockchain and cryptocurrency company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. DMG's Mining as a Service ("MaaS") model allows DMG to host 3rd party servers as well as mine its own Bitcoins. DMG also develops enterprise blockchain platforms for supply chain management and has developed forensic software used by various groups, including law enforcement agencies. The Company has operated its Transaction Verification Services business, commonly known as Bitcoin mining, in Western Canada since October 2016.

After completion of the Qualifying Transaction, DMG continued the development of its current operations and also entered into server hosting arrangements for the Transaction Verification Services business. The Company is also building a blockchain platform to manage supply chains for regulated products. The Company provides these industries with end-to-end, frictionless trust verifications such as identity management, provenance, automated contract execution and rules compliance, all built on the blockchain technology platform.

DMG continues to put in place the infrastructure necessary to realize its growth plans for 2019. At its flagship mining site, DMG will have in place the infrastructure to support up to 60 megawatts of electrical capacity by calendar year-end. This capacity will be built out at a rate that is dependent on customer demand.

QUARTERLY HIGHLIGHTS

- For the quarter ending March 31, 2018, the company received orders for 2,650 miners.
- On April 3, 2018, 50,300 warrants were exercised for gross proceeds of \$17,605.
- For the quarter ending June 30, 2018, the Company's subsidiary, Datient, Inc. successfully launched its risk assessment and AML software for crypto wallets, known as WalletScore.
- For the quarter ending June 30, 2018, the Company entered into a licensing agreement with JCIS, a Japanese cryptocurrency company to support investment in the Japanese market to sell its Blockseer products.
- For the quarter ending June 30, 2018, the Company increased revenues to \$2,228,496 from \$420,588 from the comparable period.
- For the quarter ending June 30, 2018, the Company invested \$45,000 in IComply ICO, an ICO Compliance platform.
- For the year ending September 30, 2018, the Company increased revenue to \$11,466,443 from \$850,326 from the comparable period.
- For the quarter ending December 31, 2018, the Company increased revenue to \$2,036,571 from \$607,177 from the comparable period. The Company completed the construction of a substation and data centre in Christina Lake.
- For the quarter ending March 31, 2019, the Company decreased revenue to \$2,036,517 from \$3,344,669 from the comparable period.

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- For the quarter ending June 30, 2019, the Company increased from revenue to \$3,339,251 from \$2,228,496 from the comparable period.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

	For the three months ended June 30		For the nine months ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	3,339,251	2,228,496	7,412,340	6,180,342
Net loss	(2,496,535)	(704,506)	(6,091,702)	(13,067,575)
Comprehensive loss	(2,552,705)	(704,506)	(6,095,888)	(13,067,575)
Basic and diluted gain (loss) per common share	(0.03)	(0.01)	(0.05)	(0.33)
Total assets	26,408,530	48,185,208	26,408,530	48,185,208
Total non-current liabilities	2,978,903	7,645,271	2,978,903	7,645,271

RESULTS OF OPERATIONS

Three Months Ended June 30, 2019 and 2018

The Company had a net loss \$2,496,535 for the three months ended June 30, 2019, as compared to a net loss of \$704,506 in 2018. The increase relates to increase in research and development, general and administrative costs, and operating and maintenance costs.

Revenue for the three months ended June 30, 2019 was \$3,339,251, which consisted mostly of revenue from the mining of Bitcoins, hosting services, and forensics services.

Revenue related to bitcoin mining was \$659,689, compared to \$25,361 for the three months ended June 30, 2018. Mining equipment hosting and set-up hosting revenue was \$1,998,843 compared to \$845,601 for the three months ended June 30, 2018. Forensics income was \$347,024 for the three months ended June 30, 2019 compared to \$16,300 for the three months ended June 30, 2018. Increases relate to forensics services provided through the Company's wholly owned subsidiary Datient Inc. Consulting income was \$319,000 and relates to the Company's global cannabis supply chain platform agreement.

Operating and maintenance costs for the three months ended June 30, 2019 were \$2,112,180 as compared to \$1,991,061 in June 30, 2018. These costs consist of utility bills, contractors' fees and wages with relation to the data center improvements, construction and on-going maintenance.

General and administrative costs for the three months ended June 30, 2019 were \$1,173,237 as compared to \$852,904 for the three months ended June 30, 2018. These consisted mostly of consulting, wages, marketing, investor relations, regulatory, filing and professional fees.

Research and Development costs for the three months ended June 30, 2019 were \$2,683,358 as compared to \$499,706 for the three months ended June 30, 2018. The increase relates partially to the Company's contract

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with IBM for services to develop a global cannabis supply chain platform. The Company incurred \$2,469,139 as at June 30, 2019 related to this project.

Nine Months Ended June 30, 2019 and 2018

The Company had a net loss \$6,091,702 for the nine months ended June 30, 2019, as compared to a net loss of \$13,067,575 for the nine months ended June 30, 2018. In the nine months ended June 30, 2018, the Company completed its acquisition of Datient Inc. and incurred a non-recurring listing transaction expense of \$6,223,609.

Revenue for the nine months ended June 30, 2019 was \$7,412,340 (2018 - \$6,180,342) which consisted mostly of revenue from the mining of Bitcoins, hosting services, and forensics services.

Revenue related to bitcoin mining was \$669,826, compared to \$632,538 for the three months ended June 30, 2019. Mining equipment hosting and set-up hosting revenue was \$5,850,201 compared to \$1,649,652 for the three months ended June 30, 2018. The Company increased hosting services upon the completion of its substation in November of 2018. Forensics income was \$407,757 for the nine months ended June 30, 2019 compared to \$16,300 for the nine months ended June 30, 2018. Increases relate to forensics services provided through the Company's wholly owned subsidiary Datient Inc.

Operating and maintenance costs for the nine months ended June 30, 2019 were \$5,318,405 as compared to \$1,693,892 in June 30, 2018. These costs consist of utility bills, contractors' fees and wages with relation to the data center improvements, construction and on-going maintenance. Utilities increase significantly due to the Company's power contract with FortisBC used to supply its newly constructed substation.

General and administrative costs for the nine months ended June 30, 2019 were \$3,230,772 as compared to \$5,835,942 for the nine months ended June 30, 2018. These consisted mostly of consulting, wages, marketing, investor relations, regulatory, filing and professional fees. The Company's consulting fees decreased by \$1,122,208 and marketing and public relations expenses decreased by \$2,223,723 due to advertising costs.

Research and Development costs for the nine months ended June 30, 2019 were \$3,783,450 as compared to \$803,468 for the three months ended June 30, 2018. The increase relates partially to the Company's contract with IBM for services to develop a global cannabis supply chain platform. The Company incurred \$2,469,139 as at June 30, 2019 related to this project.

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Selected Quarterly Information for the eight most recently completed Quarters:

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
	\$	\$	\$	\$
Revenue	3,339,251	2,036,517	2,036,572	5,286,101
Net loss	(2,496,535)	(2,097,642)	(1,497,524)	(12,845,271)
Comprehensive loss	(2,552,705)	(1,987,332)	(1,555,850)	(12,666,091)
Basic and diluted loss per share	(0.03)	(0.02)	(0.02)	(0.29)
	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
	\$	\$	\$	\$
Revenue	2,228,496	3,344,669	607,177	304,396
Net loss	(704,506)	(9,881,967)	(2,248,027)	(255,912)
Comprehensive loss	(704,506)	(9,881,967)	(2,248,027)	(255,912)
Basic and diluted loss per share	(0.01)	(0.17)	(0.06)	0.03

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2019, the Company had working capital of \$5,779,876 (September 30, 2018: \$14,033,232). Working capital decreased largely due to a decrease in cash of \$10,603,548.

The net change in the Company's cash position as at June 30, 2019 as compared to September 30, 2018 was as a result of the following cash flows:

- Cash used in operations of \$6.3 million. Prepaid expenses increased mainly due to a security deposit of \$2.2 million to secure the Company's power contract with FortisBC and approximately \$0.5 million in prepayments related to the Company's substation.
- Cash used in investing activities of \$3.9 million, consisting of the \$3.8 million cash consideration paid to purchase equipment and \$0.2 million in lease payments.
- Cash provided by financing activities of \$0.4 million due to the repayment of an outstanding loan payable.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future

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SHARE CAPITAL ACTIVITY

Share Capital

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

Share capital activity for the nine months ended June 30, 2019

- On January 22, 2019, the Company issued 115,842 common shares upon conversion of 115,842 of DMG-US, Inc. Class B common shares.
- On December 4, 2018, the Company issued 113,657 common shares upon conversion of 229,499 shares of DMG-US, Inc. Class B common shares

Share capital activity for the period ended September 30, 2018

- By August 31, 2018, the Company had bought back 30,000 common shares for \$9,403.
- On February 8, 2018, the Company issued 35,076,000 subscription receipts at \$0.80 per subscription receipt for gross proceeds of \$28,060,800. The Company also paid corporate finance fees of \$91,500 and issued 156,250 corporate finance subscription receipts at \$0.80 per subscription receipt. In accordance with their terms, immediately after satisfaction of the escrow release conditions, each subscription receipt was automatically converted into common shares of the Company. The Agents received 2,382,957 Agent's subscription receipts which converted into Agent's warrants which are exercisable at \$0.80 per common share for a period of two years from the closing of the transaction. The agent's warrants were valued at \$0.55 per warrant using the Black-Scholes option pricing model with an average risk-free interest rate of 1.66%, expected life of 2 years, volatility of 142% and dividend yield of 0%. In addition, the Company paid a finder's fee in the aggregate amount of \$1,906,366 and issued 2,373,223 common shares of the Company to a group of finders.
- On February 8, 2018, the Company also closed a brokered private placement of 862,500 common shares at a price of \$0.80 per share for aggregate proceeds of \$690,000. The Company paid \$45,458 in Agent's fees and \$13,500 in legal fees and disbursements. The Company also issued 56,823 Agent's warrants exercisable at \$0.80 per common share for a period of two years from issuance. The agent's warrants were valued at \$0.55 per warrant using the Black-Scholes option pricing model with an average risk-free interest rate of 1.66%, expected life of 2 years, volatility of 142% and dividend yield of 0%.
- On February 8, 2018, the Company issued 46,651,995 common shares in exchange for all the issued and outstanding shares of the private operating company formerly known as DMG Blockchain Solutions Inc. (see Note 4).
- On February 20, 2018, 140,000 stock options were exercised for gross proceeds of \$14,000. In addition, 11,214 broker warrants were exercised for gross proceeds of \$3,925.
- On October 31, 2017, prior to completion of the reverse-takeover transaction (see Note 4), the private operating company previously known as DMG Blockchain Solutions Inc. issued 9,124,286 common shares at \$0.35 per common share for aggregate proceeds of \$3,193,500. On October 31, 2017, the Company granted 624,023 brokers' warrants with an exercise price of \$0.35 per common share and an

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expiry date of October 31, 2019 in connection with this share issuance. The warrants were exchanged into warrants of the Company on a 1:1 basis on February 8, 2018 with all existing terms carried forward. The brokers' warrants were valued at \$0.24 per warrant using the Black-Scholes option pricing model with an average risk-free interest rate of 1.66 %, expected life of 2 years, volatility of 139% and dividend yield of 0%.

- On October 27, 2017, prior to completion of the reverse-takeover transaction (see Note 4), the private operating company previously known as DMG Blockchain Solutions Inc. issued 4,736,927 common shares at \$0.35 per common share for aggregate proceeds of \$1,657,924. On October 27, 2017, Blockchain Solutions Inc. granted 154,097 brokers' warrants with an exercise price of \$0.35 per common share and an expiry date of October 27, 2019 in connection with this share issuance. The warrants were exchanged into warrants of the Company on a 1:1 basis on February 8, 2018 with all existing terms carried forward. The brokers' warrants were valued at \$0.24 per warrant using the Black-Scholes option pricing model with an average risk-free interest rate of 1.66 %, expected life of 2 years, volatility of 139% and dividend yield of 0%.
- On October 20, 2017, prior to completion of the reverse-takeover transaction (see Note 4), the private operating company previously known as DMG Blockchain Solutions Inc. issued 4,290,782 common shares at \$0.35 per common share for aggregate proceeds of \$1,501,774. DMG Blockchain Solutions Inc. granted 47,600 brokers' warrants with an exercise price of \$0.35 per common share and an expiry date of October 20, 2019 in connection with this share issuance. The warrants were exchanged into warrants of the Company on a 1:1 basis on February 8, 2018 with all existing terms carried forward. The brokers' warrants were valued at \$0.24 per warrant using the Black-Scholes option pricing model with an average risk-free interest rate of 1.66 %, expected life of 2 years, volatility of 139% and dividend yield of 0%.

OUTSTANDING SHARE DATA

As June 30, 2019 and at the date of this report, the following securities were outstanding:

Total Outstanding as of:	June 30, 2019	Date of this report	Exercise price range
Shares outstanding	93,448,981	93,448,981	
Stock options	6,578,000	6,578,000	\$0.10 - \$0.40
Warrants	3,203,987	3,203,987	\$0.35 - \$0.80

RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation and other related party transactions

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

For the 3 months ended,

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	June 30, 2019	June 30, 2018
Salaries, wages and benefits	134,946	212,398
Consulting services	-	122,000
Share-based compensation	23,847	122,709
Total	158,793	457,107

(b) Related party balances

- As at June 30, \$246,981 (September 30, 2018 - \$144,575) was owed to key management for outstanding business expenses paid on behalf of the Company.
- At June 30, 2019, the Company owed \$590,363 (2018 - \$1,015,152) in principal and accrued interest on a promissory note issued the Chief Technology Officer of the Company, Danny Yang in February 2018 in the amount of US\$766,029.
- During the year ended September 30, 2017, the Company loaned a principal of US\$50,000 (2016 - \$Nil) to a Company controlled by a former director, Christopher Filiatrault. As at September 30, 2017, interest receivable accrued on this loan amounted to US\$781. The promissory note was repaid in full during the year ended September 30, 2018.
- During the year ended September 30, 2017, the Company issued a promissory note payable with a principal of 9.119 Bitcoins to a former director, Eugene Filiatrault. The loan receivable was unsecured, non-interest bearing, with no specific terms of repayment. During the nine months ended June 30, 2019, management determined that the loan was uncollectable, and the note payable was fully impaired.
- During the year ended September 30, 2017, the Company entered into an asset purchase agreement with three individuals, one of which was a former director, Christopher Filiatrault. 4,600,000 common shares with a deemed price of \$0.0658 per common share were paid to the Director in connection with the purchase. During the year ended September 30, 2017, the Company issued the same director a promissory note and loaned \$25,000 to the director. The loan receivable was unsecured, non-interest bearing, with no specific terms of repayment. As at June 30, 2019, the loan was outstanding.

NEW ACCOUNTING PRONOUNCEMENTS

New standards and interpretations adopted

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step model framework for the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company

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has applied the full retrospective approach upon transition on October 1, 2018 and adoption had no significant impact on the consolidated financial statements.

Under IFRS 15, revenue related to the transfer of promised goods or services should be recognized when the control of the goods or services passes to the customers. The Company has evaluated the impact of applying IFRS 15 by analyzing its server hosting agreements and concluded that there is no material change in the timing of revenue recognized under the new standard, and based on the facts and circumstances at March 31, 2019, there will be no material impact to the timing of the Company's recognition of revenues.

IFRS 15 also requires entities to apportion revenue earned from contracts to distinct performance obligations on a relative standalone selling price basis. Based on the facts and circumstances at March 31, 2019, the Company has determined that the impact of this change is insignificant, and there will be no material impact to the Company's recognition of revenues.

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and periods thereafter. Early adoption is permitted. The Company has early adopted IFRS 16. Either a modified retrospective application or full retrospective application is required for IFRS 16. The Company has applied the modified retrospective approach upon transition on January 1, 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's borrowing rate. The Company used its borrowing rate as the discount rate.

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IFRS 9 Financial Instruments (“IFRS 9”)

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company’s financial statements and did not result in a transitional adjustment.

The adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company’s financial assets and financial liabilities.

IFRS 16 Leases (“IFRS 16”)

Effective January 1, 2019, the Company adopted IFRS 16 which supersedes IAS 17 Leases (“IAS 17”). The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption.

The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its previous assessment made under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease. The definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after January 1, 2019.

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On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company applied the following practical expedients when adopting IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on previous assessments on whether leases are onerous;
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight to determine the lease term where contracts contain options to extend or terminate the lease.

Under IFRS 16, the Company is required to assess the classification of a sublease with reference to the right-of-use asset, not the underlying asset. The Company assess that

On transition to IFRS 16, the Company recognized lease assets and liabilities. The impact on transition is summarized below.

	January 1, 2019
Operating lease commitment at December 31, 2018	\$ 880,641
Discounted using the incremental borrowing rate at January 1, 2019	(77,298)
Lease asset and lease liability recognized at January 1, 2019	\$ 803,343

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 4.2%.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair values of financial instruments measured at fair value on a recurring basis.

	Quoted prices in active markets for identical instruments	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
June 30, 2019				
Cash	\$ 1,400,632	-	\$ -	\$ 1,400,632
Digital assets	-	1,351,768	-	1,351,768
September 30, 2018				
Cash	\$ 12,004,180	-	\$ -	\$ 12,004,180
Digital assets	-	697,793	-	697,793

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

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

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

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

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

b) Management of Industry and Financial Risk

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

Credit Risk

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

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The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because all of its miner sales, set up and hosting fees sales are with three counterparties (2018 - none). The Company records an allowance against its trade receivables when there is uncertainty over collection of this amount. All balances due are expected to be settled partially or in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At June 30, 2019, no amounts were held as collateral.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash is held in corporate bank accounts available on demand. Liquidity risk is assessed as being high.

Market Risk

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

Interest Rate Risk

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

Foreign Currency Risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. In addition, the Company mines Bitcoin which have a market value stated in US dollars. Exchange rate fluctuations affect the costs that the Company incurs in its operations. The Company's presentation currency is the Canadian dollar and major purchases are transacted in US dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the entity's functional currency. The fluctuation in foreign currencies in relation to the Canadian dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity.

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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 not exposed to any significant price risks with respect to its financial instruments.

Concentrated Customer Risk

The Company has three major customers that accounted for approximately 95% of revenue up until November 30, 2018. Subsequent to November 30, 2018, two of the customers cancelled their contracts, however their contracts were replaced with two new larger contracts and the customer base of installed hosting was more than doubled.

Off-Balance Sheet Transactions

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

PROPOSED TRANSACTIONS

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

RISKS AND UNCERTAINTIES

Digital Currency and Risk Management

Digital currencies are measured using fair value measurement. The rate is taken from xe.com.

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 coins; 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 prices for coins could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its coin 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 of Bitcoins.

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The following table summarizes key Bitcoin network statistics:

Figure 1 – Bitcoin Network Statistics

	Average BTC USD (CoinDesk BPI)	Average BTC CAD (CoinDesk BPI)	Market Cap (CAD)	Hash Rate (PH/s)	New BTCs	Transaction Fees (BTC)	BTCs per PH/s	Transaction Volume	Cost per Tx (CAD)	BTCs per Transaction	Block size (MB)	Total Payment Volume (CAD)	Annualized Velocity
31-Mar 1Q13	\$33.29	\$33.82	\$0.4B	0.0	360,675	4,438	11,618,904	4,715,365	\$0.03	4.7	0.15	\$0.8B	8.2
30-Jun 2Q13	\$119.38	\$125.57	\$1.4B	0.1	379,300	4,440	3,843,257	4,865,769	\$0.12	4.1	0.16	\$2.5B	7.2
30-Sep 3Q13	\$104.02	\$107.17	\$1.2B	0.5	420,500	3,621	773,208	4,511,875	\$0.09	3.7	0.12	\$1.8B	5.8
31-Dec 4Q13	\$495.39	\$526.90	\$6.4B	5.2	425,150	2,777	82,500	5,545,719	\$0.21	3.6	0.17	\$10.5B	6.6
31-Mar 1Q14	\$704.90	\$779.26	\$9.6B	25	387,025	1,254	15,638	5,759,179	\$0.17	2.0	0.21	\$9.2B	3.8
30-Jun 2Q14	\$518.75	\$553.51	\$7.1B	77	380,075	1,098	4,943	5,700,152	\$0.11	1.6	0.22	\$5.1B	2.9
30-Sep 3Q14	\$532.25	\$596.12	\$7.8B	179	365,100	1,098	2,049	6,187,940	\$0.10	1.4	0.25	\$5.2B	2.7
31-Dec 4Q14	\$355.58	\$412.51	\$5.6B	280	339,575	1,187	1,219	7,610,562	\$0.06	2.0	0.33	\$6.3B	4.6
31-Mar 1Q15	\$250.68	\$317.51	\$4.4B	327	332,550	1,284	1,022	8,580,950	\$0.05	2.1	0.38	\$5.6B	5.1
30-Jun 2Q15	\$236.62	\$295.54	\$4.2B	347	327,425	1,624	949	9,910,771	\$0.05	1.8	0.42	\$5.2B	4.9
30-Sep 3Q15	\$254.42	\$339.53	\$4.9B	397	341,250	2,563	866	12,036,768	\$0.07	1.9	0.54	\$7.9B	6.4
31-Dec 4Q15	\$346.13	\$479.05	\$7.1B	547	356,800	2,726	657	15,132,915	\$0.09	2.3	0.58	\$16.9B	9.5
31-Mar 1Q16	\$409.59	\$531.94	\$8.1B	1,062	349,975	3,812	333	18,345,153	\$0.11	1.5	0.71	\$14.6B	7.2
30-Jun 2Q16	\$512.66	\$662.20	\$10.3B	1,395	339,475	5,020	247	20,112,597	\$0.17	1.5	0.78	\$19.6B	7.6
30-Sep 3Q16	\$615.04	\$806.74	\$12.8B	1,594	185,488	5,768	120	20,205,364	\$0.23	1.1	0.79	\$18.1B	5.7
31-Dec 4Q16	\$730.28	\$980.55	\$15.7B	2,034	171,863	7,967	88	24,077,323	\$0.33	1.0	0.86	\$24.1B	6.2
31-Mar 1Q17	\$1,034.17	\$1,375.34	\$22.2B	3,152	172,488	15,130	59.5	25,811,120	\$0.83	0.9	0.93	\$32.9B	5.9
30-Jun 2Q17	\$1,919.66	\$2,552.76	\$41.7B	4,397	172,013	30,579	46.1	26,489,313	\$3.21	1.0	0.97	\$69.4B	6.7
30-Sep 3Q17	\$3,506.61	\$4,307.17	\$71.1B	6,764	176,838	19,993	29.1	22,294,691	\$4.01	1.0	0.88	\$98.2B	5.5
30-Dec 4Q17	\$9,413.35	\$12,021.79	\$200.9B	10,888	177,763	34,453	19.5	29,355,802	\$17.29	0.8	1.02	\$279.3B	5.6
30-Mar 1Q18	\$10,468.42	\$13,537.77	\$228.2B	21,576	175,988	18,561	9.0	19,924,489	\$15.35	0.8	0.96	\$215.9B	3.8
29-Jun 2Q18	\$7,747.16	\$10,171.25	\$173.3B	32,374	174,088	3,045	5.5	17,644,812	\$1.77	0.6	0.76	\$109.7B	2.5
29-Sep 3Q18	\$6,798.31	\$8,800.41	\$151.5B	46,571	173,363	1,982	3.8	19,995,024	\$0.88	0.5	0.82	\$84.5B	2.2
30-Dec 4Q18	\$5,177.63	\$7,063.33	\$122.7B	44,652	157,800	2,117	3.6	23,831,311	\$0.60	0.6	1.01	\$93.2B	3.0
30-Mar 1Q19	\$3,749.95	\$5,001.31	\$87.7B	43,474	165,000	2,372	3.8	27,948,899	\$0.43	0.4	1.01	\$62.2B	2.8
29-Jun 2Q19	\$7,276.11	\$9,657.57	\$171.1B	50,940	169,725	10,728	3.5	32,994,525	\$3.30	0.4	1.21	\$142.0B	3.3

Source: Blockchain.info, CoinDesk

Figure 1 is based on calendar year quarters and is not aligned to the Company's quarter. The Company holds no liability for any inaccurate data.

Negative Operating Cash Flows

The Company is at an early stage of operations, and without the injection of further capital and the development of revenue streams from its business, 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's success will depend on its directors and officers to develop its business, manage its operations, and attract any consultants as may be necessary to continue its business. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified officers, directors and other key personnel can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

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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 cryptocurrency prices, government regulation, interest rates, Bitcoin price, 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. 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.

Conflicts of Interest Risk

Up until May 2018, a previous director and officer of the Company was also director and operator 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 *B.C. 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.

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 favorable 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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CAPITAL ASSET IMPAIRMENT TESTING

DMG has a methodology for tangible asset impairment testing. For crypto-mining equipment, DMG looks at the initial investment, the BTC to CAD converted cash profit to date and the expected future cash profit. The initial estimate for mining equipment revenue generation is based on the current ratio of the BTC to CAD converted Bitcoin revenue being generated by the network per amount of computing power over the expected remaining useful life of the equipment. The expectation is that the rate of revenue generation decay (based on technology improvements) is 3% per month, assuming a fixed BTC CAD exchange rate. As DMG expects the accumulated cash generation to exceed its initial mining equipment investment, the equipment would not be impaired.

For the data centre impairment testing, DMG estimates that it can generate at least \$120,000 of margin per megawatt per year. With an expected operating life for most of the value of the data centre property, plant and equipment of at least 10 years and current capacity of up to 60 megawatts, DMG expects to recoup its investment well within the equipment's useful life period, and hence it would not be impaired.

SUBSEQUENT EVENT

On July 25, 2019, two of the Company's founding directors were named as defendants in a petition filed in the Supreme Court of British Columbia (the "Court"). A former director of the Company is seeking a declaration that the affairs of the Company have been conducted, or that the powers of the two founding directors as directors are being or have been exercised in a manner that is oppressive, or alternatively that is unfairly prejudicial, to the shareholders. The petition is seeking an order from the Court to remove the two directors as directors and officers of the Company and to be replaced with two former directors. In the opinion of management, an outcome of the petition and any amounts payable by the Company cannot be reasonably estimated at this time.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.