

## **DMG BLOCKCHAIN SOLUTIONS INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(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, 2020. The MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. This MD&A should be read in conjunction with the Company's audited financial statements for the Company's September 30, 2020 year-end and other corporate filings available at [www.sedar.com](http://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 29, 2020.

#### **DESCRIPTION OF THE BUSINESS**

The Company strives to be a vertically integrated blockchain and cryptocurrency company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. DMG is focused on three main business activities: data centre operations, data analytics and forensics and developing enterprise blockchains.

##### *Data Centre Operations*

DMG's flagship data centre operation is its Christina Lake Data Center. This location offers both hosted services, commonly referred to as Mining as a Service ("MaaS"), which allows DMG to host 3rd party servers as well as mine its own cryptocurrencies by self managing its equipment. DMG will continue its strategy to blend self-mining with hosted mining for third-party clients. This model allows the Company to earn consistent revenues from hosting, and at the same time benefit from surges in BTC value from self-mining. DMG continues to optimize and expand its self-mining efforts with a goal to become one of the largest North American bitcoin mining companies by compute power. DMG will continue to acquire mining hardware, subject to cost and profitability constraints, to ensure that the fleet includes the most efficient hardware available at all times and to avoid the need to replace the entire fleet simultaneously in the future. DMG also will continue to develop partnerships in blended hosted self mining models that will allow DMG to participate in the profit of Cryptocurrency mining beyond hosting.

##### *Data Analytics and Forensics*

DMG's data analytics and technical support operations leverage the company's industry expertise to provide crypto specific services to mainly audit, accountancy, legal and law enforcement organizations around the world. DMG's Data Analytics and Forensics are generally split into two business lines, the first is crypto specific consulting where DMG generally works on legal cases and audits of companies exposed to crypto through their operations and the second are software platforms and licensing agreements.

The crypto specific consulting that DMG focuses on leverages its deep understanding of crypto currencies and applies this mainly to legal questions, accounting standards and audit and assurance reporting

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

requirements. Almost all projects involve DMG's software platforms such as Blockseer's Explorer or Walletscore.

DMG's data analytics and forensics software platforms strategy is centered on becoming a vertically integrated cryptocurrency company. DMG's main software platforms to date are the Blockseer Pool, Mine Manager, Blockseer Explorer, and Walletscore. All of these products are used by DMG as well as licensed to 3rd parties for commercial usage where applicable. Additional software platforms to augment DMG's vertical integration strategy are under development. In general

*Developing Enterprise Blockchains*

The Company is also building a blockchain platform called Project Wazabi, to manage supply chains for regulated products. On October 4, 2018, the Company entered into an agreement with IBM to assist in building Wazabi, a blockchain based cognitive platform to manage the legal cannabis supply chain. Wazabi does not replace any existing systems, but instead aims to pull and aggregate data from each system along the supply chain. Every time product changes custody such as from Licensed Producer to testing lab, to various distribution and retail end users, Wazabi logs these events on the blockchain. This allows for complete real time visibility on where every batch of Wazabi tracked cannabis is in the supply chain, enabling immediate and immutable traceability in the event of recall, automation of regulatory reporting, and in time, product forecasting for producers, retailers and regulators.

The blockchain core of Wazabi is built as well as 44 APIs that enable Wazabi to connect to and pull relevant data from the various systems along the supply chain including seed to sale, ERP, POS, and Logistics systems. On top of the Wazabi blockchain, various applications can be built such as for traceability, automated regulatory reporting, retail and wholesale marketplaces, etc. The Company is ready to begin beta testing the traceability application of the platform. As we continue to build the platform and incur additional costs, the Company is exploring ways for other parties to assist in both funding the project and securing the beta testing partners, as well as potentially entering into a business combination or a joint venture transaction with other parties.

*COVID-19*

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

The Company transitioned its Vancouver office to working from home in mid-March, and, after some initial adjustments, has seen no interruption to its workflow. The Company's Christina Lake mining

## **DMG Blockchain Solutions Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended September 30, 2020**

---

operation remains open and is staffed as regularly as it was pre-COVID-19. However, there are only two employees working at any one time inside a 27,000 square foot facility, in a remote area mostly unaffected by the virus. The Company continues to monitor daily COVID-19 government updates and will continue to alter its practices as necessary with guidance from the British Columbia's Provincial Health Officer.

DMG credits the success of its Work from Home initiative to the capabilities of its Mine Management software.

#### *Bitcoin Market Trends*

The bitcoin market showed upward trends in the fourth quarter ending September 30, 2020, with average price exceeding year prior and transaction volume, fees and network velocity all following suit. Unprecedented market adoption occurred with address balances of \$10 USD or more increasing over 20% in the year. Development on the institutional side had a record setting year with custodial services being granted to U.S. Banks and Wyoming having the first crypto bank launched. Major industry leaders also adopted Bitcoin into a variety of business models and investment announcements.

Network difficulty increased from October 2019 to September 30, 2020 by 51%, however this effect on mining profitability was mitigated by a bitcoin price increase of 29% over the same period along with transaction fees growing over 150%.

#### **ANNUAL HIGHLIGHTS**

- In October 2020, the Company's American subsidiary, Datient, Inc., unveiled the Bitcoin Mining Pool, Blockseer Pool, that the Company has been developing. As far as the Company knows, this pool represents the first and only Bitcoin Mining Pool focused on compliance and transparency.
- In May and June of 2020, the Company completed the installation and energizing of 1,240 MicroBT M30s ASIC miners, bringing an additional 112 PH/s to augment our self-mining operation.
- In May 2020, the Company appointed the Company's CTO, Adrian Glover to the Board of Directors.
- In May 2020, the Company closed a private placement for 1,481,500 units for gross proceeds of \$100,000.
- In February 2020, the Company started research and development on Immersion Cooling technology.
- In November 2020, pursuant to an agreement, 1,240 MicroBT M30s ASIC miners were sold to a hosting customer of the Company, and the Company now receives fees for hosting these miners at the Christina Lake facility.
- The Company continues to evaluate opportunities to increase shareholder value through improved operational efficiencies, asset acquisitions and corporate transactions.

**DMG Blockchain Solutions Inc.****Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS****SELECTED ANNUAL INFORMATION**

---

	For the year ended September 30,		
	2020	2019	2018
<b>Revenue</b>	7,403,500	10,102,765	11,466,443
<b>Net loss from continuing operations</b>	(2,827,812)	(7,751,588)	(25,633,831)
<b>Basic and diluted loss per common share</b>	(0.03)	(0.07)	(0.34)
<b>Total assets</b>	21,513,967	25,281,448	30,609,717
<b>Total non-current liabilities</b>	512,940	2,925,932	2,591,304

---

*For the year ended September 30, 2020*

Revenue has decreased by \$2,699,265 from \$10,102,765 in 2019 to \$7,403,500 in 2020. The Company did not realize any revenue in 2020 related to hashrate sales (2019: \$1,329,595) which contributed to the overall decrease from prior year. Bitcoin mining revenue increased in the period in both quantity and value as the price of BTC continued to rise.

Net loss decreased from \$7,751,588 for the year ended September 30, 2019 to \$2,827,812 for the year ended September 30, 2020. The decrease is mainly attributed to a decrease in research costs of \$4,060,508.

Total assets as at September 30, 2020 was \$21,513,967 (2019 - \$25,281,448) a decrease of \$3,767,481. Total assets decreased as the Company applied a security deposit of \$2,700,000 against its outstanding loan.

Digital currency was \$966,005 as at September 30, 2020 (2019 - \$1,523,091). The decrease was attributable to a larger number of coins sold in the year for cash. As a result, the Company held less BTC coins at the end of the year as compared to the prior year.

Total non-current assets for the year ended September 30, 2020 were \$17,761,303 (2019 - \$17,813,563). The decrease of \$52,260 was attributed to a decrease in trade and other payables as the Company sold digital currencies to pay down outstanding debts. This decrease was offset by increases in short term loan payables used to purchase miners in the year.

**RESULTS OF OPERATIONS*****Twelve Months Ended September 30, 2020***

Revenue has decreased by \$2,699,265 from \$10,102,765 in the year ended September 30, 2019 to \$7,403,500 in the year ended September 30, 2020. The Company recognized the majority of revenue related to hosting and set-up service revenue earning \$4,292,704 for the year ended September 30, 2020 (2019: \$5,829,188). The Company did not realize any revenue in 2020 related to hashrate sales (2019: \$1,329,595) which contributed to the overall decrease from prior year. The decrease in revenue was offset by an increase in digital currency mining revenue from \$1,975,542 in 2019 to \$2,723,537 in 2020. Other revenue related to forensic consulting services and software subscriptions has decreased from \$968,440 to \$387,259.

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

Operating and maintenance decreased from \$7,471,586 for the year ended September 30, 2019 to \$6,137,837 for the year ended September 30, 2020. Operating and maintenance consists mostly of utility bills, contractors' fees and wages with relation to the data center improvements and construction. The decrease in the period relates to decreased utility costs of \$5,535,885 as compared to \$5,692,777 in the preceding year and a decrease in wages of \$424,132 due to improved operational methods and automation allowing the facility to be run more efficiently and requiring fewer staff.

General and administrative costs for the year ended September 30, 2020 decreased from \$3,991,757 in 2019 to \$1,908,108 in 2020. The decrease is mainly attributable to a decrease of \$593,781 in general and administrative fees as the Company was focused on decreasing overhead costs, including the sublease of its office. Travel and entertainment costs also decreased due to the COVID-19 pandemic. Wages and consulting fees in the period decreased by \$424,132 and \$419,364 respectively. Professional fees decreased by \$410,819 due to a decrease in audit fees and a decrease in legal fees related to unresolved legal claims.

Research costs decreased by \$4,060,508 from \$4,510,480 for the year ended September 30, 2019 to \$449,972 for the year ended September 30, 2020. Research costs in 2019 related to the Company's agreement with IBM Canada Ltd. in a project (named Wasabi) to develop a global cannabis supply chain platform. During 2020, IBM has not been actively contributing to the Wasabi project which has caused a decrease in research costs incurred. \$449,972 in research costs incurred in 2020 relates to salaries of DMG's software developers involved in various research projects and development of new tools.

Share-based payments decreased from \$784,600 for the year ended September 30, 2019 to \$298,881 for the year ended September 30, 2020. The Company granted 2,550,000 stock options during the year ended September 30, 2020 as compared to 240,000 granted in the comparative year. Of the 2,550,000 stock options issued during the year, 1,850,000 were granted on November 12, 2019 and 700,000 were granted on April 30, 2020.

***Fourth Quarter 2020***

Revenue for the three months ended September 30, 2020 was \$2,091,148, a decrease of \$599,277 as compared to September 30, 2019 as the Company did not realize any revenue from hashrate sales in the current year. Net loss decreased from \$1,659,887 in the three months ended September 30, 2019 to net income of \$242,071 for three months ended September 30, 2020.

Operating and maintenance for the three months ended September 30, 2020 was \$1,790,546 compared to \$2,153,181 for the three months ended September 30, 2019. The difference mainly relates to the decrease in number of employees and contractors employed at the data center.

General and administrative costs for three months ended September 30, 2020 was \$111,137 as compared to \$761,035 for three months ended September 30, 2019. The Company was focused on minimizing expenses, including the sublease of the Company's office space, leading to a large decrease of \$649,898. The Company also reduced the number of employees as compared to the same period in the prior year.

Research costs for the three months ended September 30, 2020 was \$24,716 as compared to \$727,030 for the three months ended September 30, 2019. The decrease relates to the completion of research on the Company's mine management software in August of 2020, and the decrease in number of employees.

**DMG Blockchain Solutions Inc.****Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020*****Fourth Quarter 2019***

Revenue for the three months ended September 30, 2019 was \$2,690,425, a decrease of \$2,598,676 as compared to September 30, 2018 as the Company did not realize any revenue from the sale of equipment in 2019, and efforts were focused on hosting and bitcoin mining. Net loss, decreased from \$12,676,862 in the three months ended September 30, 2018 to \$1,659,887 for three months ended September 30, 2019, mainly due to the write-off of goodwill related to the acquisition of Datient incurred in 2018.

Operating and maintenance for the three months ended September 30, 2019 was \$2,153,181 compared to \$5,615,339 for the three months ended September 30, 2018. The difference relates to the cost of miners included in the three months ended September 30, 2018, in three months ended September 30, 2019 the Company did not earn revenue on the sale of miners.

General and administrative costs for three months ended September 30, 2019 was \$761,035 as compared to \$1,025,580 for three months ended September 30, 2018.

Research costs for the three months ended September 30, 2019 was \$727,030 as compared to \$580,922 for the three months ended September 30, 2018. The increase relates to the fees incurred in relation to the Wazabi project with IBM Canada Ltd. which began in October of 2018.

**SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS**

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	Q4	Q3	Q2	Q1
<b>Revenue</b>	2,091,148	1,363,233	1,482,418	2,466,701
<b>Net income (loss)</b>	(325,433)	(691,780)	(860,474)	(950,125)
<b>Comprehensive (loss)/gain</b>	82,794	(532,071)	(1,132,090)	(949,078)
<b>Basic and diluted loss per share</b>	(0.00)	(0.01)	(0.01)	(0.01)
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	Q4	Q3	Q2	Q1
<b>Revenue</b>	2,690,425	3,339,251	2,036,517	2,036,572
<b>Net loss</b>	(1,659,887)	(2,496,535)	(2,097,642)	(1,497,524)
<b>Comprehensive loss</b>	(1,667,012)	(2,552,705)	(1,987,332)	(1,555,850)
<b>Basic and diluted loss per share</b>	(0.02)	(0.03)	(0.02)	(0.02)

- Revenue increased by \$727,915 for the three months ended September 30, 2020 from the prior quarter. Net loss decreased by \$366,347 as compared to the period ended June 30, 2020. The Company subleased its office space in September 2020, decreasing general and administrative expenses. The Company also recognized a recovery of bad debt of \$210,601.
- Revenue was relatively consistent for the three months ended June 30, 2020 with the prior period. Net loss decreased by \$168,694 as compared to March 31, 2020. The Company focused on decreasing expenses, including wage and office expenses.
- Revenue decreased by \$984,283 for the three months ended March 31, 2020 from the prior quarter. The reason for the decrease relates mainly to the loss of a mining client, lower revenue from the

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

mining of digital currency, as well as the loss of revenue from ending the relationship with Bitmain as it pertained to their Texas operations. Despite the revenue loss, the company's net loss decreased from the prior quarter by only \$89,651.

- Revenue decreased by \$223,724 for the three months ended December 31, 2019 from the prior quarter. The decrease relates mainly to mining equipment hosting and set-up services as the Company focused efforts on the operations in Texas. The Company's net loss decreased by \$709,762 as compared to the prior quarter, the decrease relates mainly to a decrease in research costs associated with the Company's IBM Canada Ltd. Agreement.
- Revenue decreased by \$648,826 for the three months ended September 30, 2019 from the prior quarter. The decrease relates mainly to mining equipment hosting and set-up services. Net loss decreased by \$836,648 mainly due to decreases in research costs related to the IBM Canada Ltd agreement.
- Revenue increased by \$1,302,734 for three months ended June 30, 2019 as compared to the prior quarter. Increases are attributable to increases in digital currency mining of \$649,552 as the Company ramped up its mining efforts. The Company also increased revenue by \$619,661 relating to increased forensic and consulting revenue. Net loss increased from the prior quarter by \$398,893.
- During the three months ended March 31, 2019, revenue was consistent with prior quarter. Net loss increased from the prior quarter by \$600,118. The increase is attributable to increases in operating and maintenance costs of \$610,017 related to utilities from three months substation operations which began in November of 2018.

**LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2020, the Company had a working capital deficit of \$2,307,706 (September 30, 2019: working capital of \$2,164,589).

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate profits and positive cash flows from operations in order to cover its operating costs. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's strategy to mitigate these risks and uncertainties is to execute a business plan aimed at operational efficiencies, revenue growth, managing operating expenses and working capital requirements. Failure to implement the Company's business plan could have a material adverse effect on the Company's financial condition and/or financial performance. Accordingly, there are material risks and uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

**SHARE CAPITAL ACTIVITY**

Share capital activity for the year ended September 30, 2020:

- On May 14, 2020, the Company issued 1,481,500 units in a non-brokered private placement for proceeds of \$100,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.10 per

**DMG Blockchain Solutions Inc.****Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

share until May 14, 2021. These warrants have a relative fair value of \$46,087 determined using the Black Scholes model with the following inputs: i) exercise price: \$0.10; ii) share price: \$0.58; iii) term: 1.00 year; iv) volatility: 144%; v) discount rate: 0.52%.

- During the year ended September 30, 2020, the Company issued a total of 2,196,911 common shares upon conversion of a total of 2,196,911 of DMG-US, Inc. Class B common shares pursuant to the vesting terms of the conversion criteria in the 2018 acquisition of Datient. This conversion reduced the non-controlling interest from 32% to 19% such that the Company has a 81% residual interest in Datient as at September 30, 2020.

**OUTSTANDING SHARE DATA**

As at the date of this document, the Company had 108,354,096 common shares issued and outstanding, 6,226,000 stock options issued and outstanding, and 7,713,973 warrants issued and outstanding.

**FINANCIAL INSTRUMENTS**

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

	Quoted prices in active markets for identical instruments Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
<hr/> September 30, 2020				
Cash	\$ 1,073,838	\$ -	\$ -	\$ 1,073,838
<hr/>				
September 30, 2019				
Cash	\$ 1,133,429	\$ -	\$ -	\$ 1,133,429
<hr/>				

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.

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

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.

During the year ended September 30, 2020, the Company decreased its exposure to concentration of credit by increasing the number of customers. The Company records an allowance against its trade receivables when there is uncertainty over collection of this amount. All balances due are expected to be settled partially or in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At September 30, 2020, no amounts were held as collateral.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at September 30, 2020, the Company has a working capital deficit of \$2,307,706 and requires additional financing to meet short-term operating requirements. The Company's cash is held in corporate bank accounts available on demand.

*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*

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

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.

*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 equity.

*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.

**RELATED PARTY TRANSACTIONS**

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

	For the years ended September 30,	
	2020	2019
Salaries, wages and benefits	\$ 1,091,272	\$ 1,239,750
Consulting services	55,328	79,600
Share-based compensation	130,204	188,972
Total key management compensation	\$ 1,276,804	\$ 1,508,322

- (b) Related party transactions and balances

As at September 30, 2020, \$543,309 (2019 – \$515,001) was owed to key management for outstanding salaries, wages and benefits, and consulting services, which is included in trade and other payables.

**DMG Blockchain Solutions Inc.**

**Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

At September 30, 2020, the Company had fully repaid (2019 – \$119,450) all principal and accrued interest on a promissory note issued to the director of the Company in February 2018.

During the year ended September 30, 2017, the Company issued a promissory note with a principal of 9.119 bitcoins with a fair value of \$49,179 at September 30, 2017 to the son of a former director, Eugene Filiatrault. The loan receivable was unsecured, non-interest bearing, with no specific terms of repayment. During the year ended September 30, 2019, management determined that the loan was uncollectible, 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, Chris Filiatrault. 4,600,000 Class A common shares with a deemed price of \$0.0658 per common share were paid to the director in connection to 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. During the year ended September 30, 2020, the Company determined that this loan would not be recovered and recorded \$25,000 as a loss on settlement of loans receivable.

During the year ended September 30, 2020, the Company recovered \$247,058 in garnishment included in general and administrative expenses in wages to Christopher Filiatrault, a former director of the Company related to court proceedings in the year ended September 30, 2019.

**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.

## **DMG Blockchain Solutions Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended September 30, 2020**

---

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.

#### **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.

#### **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.

#### **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

## **DMG Blockchain Solutions Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended September 30, 2020**

---

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.

#### **Key Personnel Risk**

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.

#### **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.

#### **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.

#### **Capital Asset Impairment Testing**

DMG has a methodology for tangible asset impairment testing. For crypto-mining equipment, DMG looks at the initial investment, along with the revenue generated by the assets over their useful life. Based on the electrical costs which remain steady and the revenue produced from each miner a margin is calculated and then used to estimate if the cost of the asset is covered over the estimated useful life. All miners that are currently operated by DMG are expected to generate margin cash flows exceeding their initial cost, resulting in no impairment on DMG's crypto mining equipment.

## **DMG Blockchain Solutions Inc.**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations For the Year Ended September 30, 2020**

---

For the data centre and power substation impairment testing, with an expected operating life of at least 10 years and current capacity of up to 60 megawatts, DMG calculates that it can generate sufficient margin to recoup its investment well within the equipment's useful life period, and hence it would not be impaired.

#### **SUBSEQUENT EVENTS**

- a) On November 6, 2020, the Company, pursuant to an agreement, sold 1,240 miners for US\$3,366,600 with proceeds of this sale to settle repayment obligations of loans first, and shipping, customs and taxes on the sale, second.
- b) On December 18, 2020, the Company closed a brokered private placement for 5,884,735 units for proceeds of \$1,000,405. Each unit consists of one common share and one warrant. Each warrant is exercisable at \$0.22 until December 17, 2022. In connection with the financing, the Company incurred finders' fees of \$59,115 and issued 347,738 brokers' warrants.
- c) During October to December 2020, the Company issued a total of 442,447 common shares upon the conversion of 442,447 shares of DMG-US, Inc. Class B common shares.
- d) During December 2020, the Company issued 1,682,500 common shares for the exercise of stock options for proceeds of \$473,875 and cancelled 820,000 stock options.

#### **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

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

**DMG Blockchain Solutions Inc.****Management's Discussion and Analysis of Financial Condition and Results of Operations  
For the Year Ended September 30, 2020**

---

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 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.

**OTHER INFORMATION**

Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).