

DMG BLOCKCHAIN SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED

(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 period ended June 30, 2020. 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 Consolidated Interim Condensed Financial Statements dated August 25, 2020 which contains the condensed interim consolidated financial statements for the Company's June 30, 2020 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

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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.

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

This MD&A is current as of August 25, 2020.

DESCRIPTION OF THE BUSINESS

DMG Blockchain Solutions Inc. (the "Company") was incorporated pursuant to the provisions of the British Columbia 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 9, 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-V. On February 13, 2018, the Company commenced trading under the name DMG Blockchain Solutions Inc. and trades under the symbol DMGI.

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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.

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 mines 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 operates its Transaction Verification Services business, commonly known as bitcoin mining, in Western Canada since October 2016.

After completion of the Qualifying Transaction, DMG has 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.

Key differentiators for success in the mining market include access to low cost energy, miner efficiency, miner running uptime, and cost efficiency. During fiscal 2020, DMG has increased its access to 85 megawatts through its wholly owned electric substation and is continuing to seek additional sources of low-cost energy. DMG currently has 1,290 miners dedicated to self-mining and over 4,200 miners for hosting-mining and has plans to increase petahash to 500 by the ended of 2020. DMG is proud of its record for 99% uptime, achieved through the exceptional efforts of its dedicated mining team. DMG has focused significant efforts to reduce costs and improve operations, resulting in 17% reduction in operating and maintenance costs over the prior period and a decrease of 10% in general and administrative costs over the prior period.

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Self-Mining Division

DMG continues to expand its self-mining efforts with a goal to becoming one of the largest North American bitcoin mining companies by compute power. 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. Currently DMG has 1,240 MicroBT M30s miners, with a petahash rate of 109 PH/s. These new M30s miners are low power consumers that generate 88 TH / s computing power with an energy consumption of 3,344 watts.

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.

Hosted Mining

DMG currently serves a variety of hosted mining clients and intends to significantly grow its hosted mining operations by encouraging existing clients to upgrade their miners, and to add additional hosted mining clients through its business development and marketing efforts.

Other Business Divisions

DMG continues to develop and license its proprietary software products including Mine Manager, Blockseer, and Walletscore, and is currently working to merge Blockseer and Walletscore into a single platform.

DMG credits its exceptional 99% uptime running efficiency to its world class mining team and Mine Manager software.

Blockseer is a patented blockchain analytics tool that enables tracking of cryptocurrency on the Bitcoin and Ethereum blockchains. WalletScore uses proprietary software to examine several generations of transactions. Taken together, these two services offer increased confidence to businesses and institutions, such as banks and retailers, who hesitate to accept cryptocurrency because of the potential of handing tainted funds.

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Project Wazabi

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 Canada Post, to BC Liquor Distribution warehouse, to retail dispensary, 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.

To date, the Company has incurred engineering and consulting costs to IBM of approximately \$3 million. 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.

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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 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 price of Bitcoin increased steadily through fiscal Q3, 2020, consistently trading above \$8,600 USD / BTC since May 2, 2020. The anticipated third Bitcoin halving event occurred on May 11, 2020 which resulted in a short term price spike. Following the May 11 halving event, the reward for mining Bitcoin has now dropped to 6.25 BTC per mining block. The next halving event is anticipated in 2024. The halving event has two expected implications: 1) if the mining rate stays stable, the number of bitcoins mined will decrease, yielding lower numbers of bitcoins mined for all active miners; and 2) the value of bitcoins is expected to increase.

The price of Bitcoin closed June 30, 2020 at \$9,144 USD, up 10.4% year to date.

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 (USD)	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	\$0.4B	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	\$1.3B	\$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	\$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	\$6.0B	\$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	\$8.7B	\$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	\$6.6B	\$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	\$7.0B	\$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	\$4.8B	\$5.6B	280	339,575	1,187	1,219	7,610,562	\$0.06	2.0	0.33	\$5.3B	4.6
31-Mar 1Q15	\$250.68	\$317.51	\$3.5B	\$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	\$3.4B	\$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	\$3.7B	\$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	\$5.1B	\$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	\$6.2B	\$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	\$8.0B	\$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	\$9.7B	\$12.8B	1,594	185,488	5,768	120	20,205,364	\$0.23	1.1	0.78	\$18.1B	5.7
31-Dec 4Q16	\$730.28	\$980.55	\$11.7B	\$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	\$16.7B	\$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	\$31.4B	\$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	\$57.9B	\$71.1B	6,764	176,838	19,993	29.1	22,294,691	\$4.01	1.0	0.89	\$98.2B	5.5
30-Dec 4Q17	\$9,413.35	\$12,021.79	\$157.3B	\$200.9B	10,888	177,763	34,453	19.5	29,355,802	\$17.29	0.8	1.02	\$279.9B	5.6
30-Mar 1Q18	\$10,468.42	\$13,537.77	\$176.5B	\$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	\$132.0B	\$173.3B	32,374	174,088	3,045	5.5	17,644,812	\$17.77	0.6	0.76	\$109.7B	2.5
29-Sep 3Q18	\$6,798.31	\$8,800.41	\$117.0B	\$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	\$89.9B	\$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	\$65.8B	\$87.7B	43,474	165,000	2,372	3.8	27,948,899	\$0.43	0.4	1.01	\$62.2B	2.8
30-Jun 2Q19	\$7,276.11	\$9,657.57	\$128.9B	\$171.1B	50,940	169,725	10,728	3.5	32,994,525	\$3.30	0.4	1.21	\$142.0B	3.3
30-Sep 3Q19	\$10,369.83	\$13,671.85	\$185.4B	\$244.4B	76,584	176,013	4,208	2.4	30,273,537	\$1.93	0.4	1.05	\$156.6B	2.6
31-Dec 4Q19	\$7,982.97	\$10,522.25	\$144.1B	\$189.9B	94,002	167,113	2,479	1.8	28,566,686	\$0.93	0.4	1.03	\$119.5B	2.5
31-Mar 1Q20	\$8,281.62	\$11,053.92	\$150.9B	\$201.4B	108,878	164,375	2,613	1.5	27,956,088	\$0.98	0.5	1.06	\$161.8B	3.2
30-Jun 2Q20	\$8,664.41	\$11,948.48	\$159.2B	\$219.5B	109,538	121,344	5,324	1.2	26,987,143	\$2.47	0.5	1.17	\$165.8B	3.0

Source: Blockchain.info, CoinDesk

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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.

QUARTERLY HIGHLIGHTS

- On June 30, 2020, the Company completed the installation and energizing of 1000 Micro BR M30 miners.
- On May 14, 2020, the Company completed the installation and energizing of 240 M30 ASIC miners.
- Through the acquisition and installation of new miners, DMG has moved up to 112 petahash from very minimal self-mining in September 30, 2019, a direct result of our focus on growing self-mining.
- The Company has embarked on a development plan to achieve its goal of (adding) 500 petahash by the end of the calendar year, December 31, 2020.
- On April 30, 2020, the Company entered into a business development agreement with Onyx Capital GmbH to provide business development and marketing materials to the Company for a period of four months.
- On May 14, 2020, the Company appointed the Company's CTO, Adrian Glover to the Board of Directors.
- On May 14, 2020, the Company closed a private placement for 1,481,500 units for gross proceeds of \$100,000.
- The Company continues to evaluate opportunities to increase shareholder value through improved operational efficiencies, asset acquisitions and corporate transactions.

OVERALL PERFORMANCE

The Company's revenue decreased for the nine months ended June 30, 2020 by \$2,099,988 compared to the same period in the prior year, while its net loss decreased by \$3,589,324. The revenue drop was mainly due to the discontinuation of the Bitmain joint partnership in December of 2019 as well as the loss of a large hosting client in February 2020, which was partially offset by the acquisition of another hosting client. Net loss decreased mainly due to decreases in research activities related to the IBM project in fiscal 2019.

After many quarters of much larger negative losses, the Company continues to get closer to its goal of producing sustainable quarterly profits and cash flows on an operational level.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2020

Revenue for the three months ended June 30, 2020 was \$1,363,233 consisted mostly of revenue from the mining of Bitcoins, hosting services, and consulting services. Revenue decreased by \$1,976,018 as compared to June 30, 2019. While the company's revenues decreased, the most recent period featured a mixed blend of revenue: \$484,615 from self-mining, \$730,928 from hosting clients and \$147,690 from forensic services, consulting services and other income. In the prior period, more than half of the Company's originated as the result of hosting clients (\$1,998,843 hosting revenue versus \$3,339,251 total revenue).

Operating and maintenance costs for three months ended June 30, 2020 was \$1,103,930 consisting mostly of utility bills, contractors' fees and wages with relation to the data center improvements and construction. Utilities decreased by \$848,544 compared to June 30 2019, mostly related to lower utility bills and lower wage costs. Contractors and other expenses decreased by \$ 95,857 and wages related to operating and maintenance decreased by \$63,960.

General and administrative costs for three months ended June 30, 2020 was \$512,392. These consisted mostly of consulting, wages and professional fees. This compares to \$1,173,237 during the quarter ended June 30, 2019. Professional fees decreased by \$169,353 as the Company's legal activities have decreased in the past three months. Consulting fees decreased by \$137,166 and general and administrative costs decreased by \$288,892.

Research costs for the three months ended June 30, 2020 was \$23,046 compared to \$2,683,358 from the same quarter in 2019. This decrease is mainly due to the IBM project fees that were incurred in 2019.

Three Months Ended June 30, 2019

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, set-up services and consulting services.

Operating and maintenance costs for the three months ended June 30, 2019 were \$2,112,291 consisting mostly of utility bills, contractors' fees and wages with relation to the data center improvements and construction.

General and administrative costs for the three months ended June 30 ,2019 were \$1,173,237. 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.

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Nine Months Ended June 30, 2020

Revenue for the nine months ended June 30, 2020 totalled \$5,312,352, consisted mostly of hosting revenue and self-mining revenue. Revenue decrease from \$7,412,340 in the same nine month period in 2019 – a decline of \$2,099,988. However, in the most recent period, there is a much greater blend of revenues, while in 2019 the revenues were 95% comprised of hosting revenue. Management feels that having a blend of revenues is more sustainable as the Company is not as greatly reliant on other parties to use their mining facilities.

Operating and maintenance costs for nine months ended June 30, 2020 was \$4,347,291 consisting mostly of utility bills, contractors' fees and wages with relation to the data center improvements and construction. Utilities decreased by \$232,260, contractors expense decreased by \$344,185 and wages decreased by \$394,668.

General and administrative costs for nine months ended June 30, 2020 was \$1,796,971. These consisted mostly of consulting, wages and professional fees. This compares to \$3,230,722 during the same period ended June 30, 2019. The reasons for the large decrease are due to less contractors being used (which lead to an increase in wages, but lower overall costs), a large wage garnishment reversal, and overall company focus on decreasing these types of costs.

Research costs for the nine months ended June 30, 2020 were \$452,586. This is down significantly from the same period in 2019, where they totaled \$3,783,450, a decrease of \$3,357,864. This large decrease is due to IBM project costs incurred in the prior period.

Nine Months Ended June 30, 2019

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

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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.

Selected Quarterly Information for the most recent completed Quarters:

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
	Q3	Q2	Q1	Q4
Revenue	1,363,233	1,482,418	2,466,701	2,690,425
Net loss	(691,780)	(860,474)	(950,125)	(1,659,887)
Comprehensive loss	(532,071)	(1,132,090)	(949,078)	(1,667,012)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
	Q3	Q2	Q1	Q4
Revenue	3,339,251	2,036,517	2,036,572	5,289,101
Net loss	(2,496,535)	(2,097,642)	(1,497,524)	(12,676,862)
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)

- 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 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 \$89,654.
- 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 set-up of 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

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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 increases 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.
- Revenue decreased by \$3,252,529 for the three months ended December 31, 2018 as compared to the three months ended September 30, 2018. The Company also increased its mining equipment hosting and set-up service by additional hosting service contracts.
- During the three months ended September 30, 2018, revenue increased by \$3,060,605 as compared to the most recent quarter. The net loss increased by \$11,972,356 from the prior quarter, including a write-off of goodwill of \$7,404,372 related to the acquisition of Datient Inc.
- Revenue decreased by \$1,116,173 for the three months ended June 30, 2018 as compared to the three months ended March 31, 2018. Net loss decreased from the prior quarter by \$9,177,461, as the prior quarter include the Company's listing expense of \$7,303,183.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2020, the Company had working capital deficiency of \$3,523,460, compared to a surplus of \$7,530,754 at the same period in the previous year. The decrease relates to the redemption of the Company's loan security deposit of \$2,700,000, as well as cash used to fund operations of the business over the course of the last year. The Company also entered into equipment financing agreements for the purchase of miners.

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.

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SHARE CAPITAL ACTIVITY

Share capital activity for the nine months ended June 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 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 nine months ended June 30, 2020, the Company issued a total of 1,167,968 common shares upon conversion of a total of 1,167,968 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 70% to 28% such that the Company has a 72% residual interest in Datient as at June 30, 2020.

Share capital activity for the year ended September 30, 2019

During 2019 the Company issued a total of 3,446,521 common shares in four tranches upon conversion of a total of 3,446,521 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 70% to 39% during 2019 such that the Company has a 61% residual interest in Datient as at September 30, 2019.

OUTSTANDING SHARE DATA

As at the date of this document, the Company had 100,344,414 common shares issued and outstanding, 8,878,500 stock options issued and outstanding, and 1,481,500 warrants issued and outstanding.

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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 Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
June 30, 2020						
Cash	(i)	\$	1,299,456	-	\$	- \$ 1,299,456
September 30, 2019						
Cash	(i)	\$	1,133,429	\$	-	\$ - \$ 1,133,429

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 of its dependence on three major customers. 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 December 31, 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.

RELATED PARTY TRANSACTIONS

(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 nine months ended	
	June 30, 2020	June 30, 2019
Salaries, wages and benefits	\$ 1,003,194	\$ 927,688
Consulting services	32,000	59,000
Share-based compensation	100,371	101,927
Total	\$ 1,135,565	\$ 1,088,615

(b) Related party balances

- As at June 30, 2020, \$859,127 (2019 – \$135,480) was owed to key management for outstanding salaries, wages and benefits, and consulting services. This amount mostly consists of deferred payroll to directors, who have agreed not to receive these funds until they feel the company is in a secure cash flow position.
- At September 30, 2019, the Company owed \$119,450 (2019 – \$1,015,152) in principal and accrued interest on a promissory note issued to Danny Yang, the director of the Company, in February 2018. During the nine months ended June 30, 2020, the Company repaid the loan in full.
- 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. As at June 30, 2020 the loan was outstanding and was included in due from related parties.

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Off-Balance Sheet Transactions

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

New accounting pronouncements

There are currently no new accounting pronouncements being considered by the Company.

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.

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 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.

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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 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 other companies. In addition, such directors will declare, and refrain from voting on any matter in which such directors may have a conflict of interest.

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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.

SUBSEQUENT EVENT

On August 17, 2020, the Company issued a total of 386,987 common shares upon the conversion of 386,987 shares of DMG-US, Inc. Class B common shares.

OTHER INFORMATION

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