

DMG Blockchain Solutions Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars)

DMG Blockchain Solutions Inc.

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INTERIM REVIEW REPORT

To the Audit Committee
of DMG Blockchain Solutions Inc.

In accordance with our engagement letter dated August 5, 2021, we have reviewed the condensed interim consolidated financial statements of DMG Blockchain Solutions Inc. (the "Company") consisting of the condensed interim consolidated statement of financial position as at June 30, 2021, the condensed interim consolidated statements of operations and comprehensive income (loss) for the three and nine months periods ended June 30, 2021 and 2020, and the statements of changes in equity and cash flows for the three and nine months periods ended June 30, 2021 and 2020. These condensed interim financial statements are the responsibility of the Company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our reviews, we are not aware of any material modification that needs to be made for these interim condensed consolidated financial statements to be in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting under International Financial Reporting Standards as issued by the International Accounting Standards Board.

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

August 30, 2021

DMG Blockchain Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at June 30, 2021 (unaudited) \$	As at September 30, 2020 (audited) \$
Assets			
Current			
Cash		47,461,615	1,073,838
Amounts and investments receivable	5	5,333,546	1,345,921
Digital currency	6	11,128,019	966,005
Marketable securities	7	470,214	-
Prepaid expenses and other current assets		410,354	276,131
Lease receivable	12	127,270	110,769
Total current assets		64,931,018	3,772,664
Deposits on long-term assets	8	31,018,010	1,323,800
Property and equipment	10	12,427,956	13,270,315
Lease receivable	12	72,245	162,614
Intangible asset	9	109,700	263,338
Assets held for sale	20	-	2,721,236
Total Assets		108,558,929	21,513,967
Liabilities			
Current Liabilities:			
Trade and other payables	11	3,686,784	4,145,849
Deferred revenue		445,684	25,790
Lease liability	12	147,692	136,317
Current portion of loans payable	13	291,881	1,772,414
Total current liabilities		4,572,041	6,080,370
Lease liability	11	87,453	172,529
Loans payable	13	-	340,411
Total Liabilities		4,659,494	6,593,310
Equity			
Share capital	14	109,642,962	43,287,828
Reserves	14	39,686,008	6,349,923
Accumulated other comprehensive income		194,013	300,819
Accumulated deficit		(45,623,548)	(32,703,841)
Equity attributable to shareholders of parent		103,899,435	17,234,729
Non-controlling interest	14	-	(2,314,072)
Total equity		103,899,435	14,920,657
Total Liabilities and Equity		108,558,929	21,513,967

Approved on Behalf of the Board of Directors as at August 30, 2021:

/s/ Steve Eliscu

Director

/s/ Sheldon Bennett

Director

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

DMG Blockchain Solutions Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Notes	For the Three Months Ended		For the Nine Months Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
		\$	\$	\$	\$
Revenue	16	1,702,275	1,363,233	6,127,650	5,312,352
Expenses					
Operating and maintenance costs	17	1,787,198	1,103,930	5,005,277	4,347,921
General and administrative	17	1,102,492	512,393	3,034,842	1,796,971
Stock-based compensation	14	1,772,410	66,451	2,494,142	286,092
Research	19	73,111	23,046	163,162	425,586
Provision for doubtful accounts	5	6,182	(41,227)	13,051	65,544
Depreciation	10	228,096	542,837	723,994	1,291,296
Amortization of intangible assets	9	51,214	51,213	153,637	153,638
Total expenses		5,020,703	2,258,643	11,588,105	8,367,048
Loss before other items		(3,318,428)	(895,410)	(5,460,455)	(3,054,696)
Other income (expense)					
Miscellaneous revenue		1,687	39,726	73,699	306,845
Foreign exchange gain (loss)		(199,653)	(125,121)	(386,885)	222,304
Unrealized revaluation gain (loss) on loans		-	-	-	783
Unrealized revaluation gain (loss) on digital currency	6	(4,686,205)	125,790	(4,686,205)	-
Realized revaluation loss on digital currency		-	184,388	167,362	42,629
Loss on revaluation of marketable securities	7	(159,336)	-	(159,336)	-
Gain (loss) on disposal of assets		(60,318)	(21,203)	1,335,263	(21,203)
Net loss		(8,422,253)	(689,830)	(9,116,557)	(2,503,338)
Other comprehensive income					
Items that may be reclassified subsequently to income or loss:					
Foreign exchange gain (loss) on translation of foreign subsidiary		57,754	159,709	(106,806)	(110,860)
Comprehensive loss		(8,364,499)	(530,121)	(9,223,363)	(2,614,198)
Net Loss Attributable To:					
Shareholders		(8,422,253)	(684,871)	(9,113,832)	(2,279,620)
Non-controlling interest	14	-	(4,959)	(2,725)	(223,718)
Basic and diluted loss per common share		(0.05)	(0.01)	(0.07)	(0.03)
Weighted average number of common shares outstanding		159,639,315	98,159,992	125,891,707	97,355,468

The accompanying notes are integral to these Condensed Interim Consolidated Financial Statements

DMG Blockchain Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars except the number of shares)

(Unaudited)

	Class A common shares	Share Capital	AOCI	Share- based payment reserve	Accumulated deficit	Non- Controlling Interest	Total
		\$	\$	\$	\$	\$	\$
Balance September 30, 2019	96,666,003	41,467,246	3,451	6,014,301	(25,942,912)	(4,489,866)	17,052,220
Shares issued for cash	1,481,500	53,913	-	46,087	-	-	100,000
Conversion of DMG US Class B common shares	1,167,968	934,265	-	-	-	(934,265)	-
Stock-based compensation	-	-	-	286,092	-	-	286,092
Unrealized gain on intangible assets	-	-	291,677	-	-	-	291,677
Net loss and comprehensive loss for the period	-	-	(110,860)	-	(2,279,620)	(223,718)	(2,614,198)
Balance June 30, 2020	99,315,471	42,455,424	184,268	6,346,480	(28,222,532)	(5,647,849)	15,115,791
Balance September 30, 2020	100,344,414	43,287,828	300,819	6,349,923	(32,703,841)	(2,314,073)	14,920,656
Units issued for cash	51,515,713	66,573,816	-	32,521,622	-	-	99,095,438
Share issuance costs	-	(10,375,205)	-	3,757,495	-	-	(6,617,710)
Exercise of options	6,364,647	3,948,081	-	(1,919,686)	-	-	2,028,395
Exercise of warrants	6,271,169	4,719,365	-	(3,517,488)	-	-	1,201,877
Conversion of DMG US Class B common shares	1,861,564	1,489,077	-	-	(3,805,875)	2,316,798	-
Stock-based compensation	-	-	-	2,494,142	-	-	2,494,142
Net loss and comprehensive loss for the period	-	-	(106,806)	-	(9,113,832)	(2,725)	(9,223,363)
Balance June 30, 2021	166,357,507	109,642,962	194,013	39,686,008	(45,623,548)	-	103,899,435

The accompanying notes are integral to these Condensed Interim Consolidated Financial Statement

DMG Blockchain Solutions Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	For the nine months ended	
	June 30, 2021	June 30, 2020
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(9,116,557)	(2,502,378)
Items not affecting cash:		
Accretion	8,463	50,800
Amortization of intangibles	153,637	153,638
Depreciation	723,994	1,291,296
Stock based compensation	2,494,142	286,092
Unrealized loss on revaluation of digital currencies	(4,686,205)	-
Bad debt expense	13,051	65,544
Bitcoin mining revenue	(1,109,655)	(1,642,042)
Lease expense	17,108	-
Loss (gain) on sale of assets	(1,335,264)	21,203
Loss on change in fair value of marketable securities	159,337	-
Interest income	(7,527)	-
Changes in non-cash working capital items:		
Amounts receivable	(630,226)	80,226
Prepaid expenses	1,189,577	1,207,038
Deposits on long-term assets	(31,018,010)	-
Digital currencies	(4,366,154)	2,094,737
Deferred revenue	419,893	(102,553)
Trade and other payables	(459,068)	(12,747)
Net cash provided by (used in) operating activities	(47,549,462)	990,854
INVESTING ACTIVITIES		
Purchase of property and equipment	(266,791)	(758,108)
Purchase of investments receivable	(4,000,000)	-
Proceeds on sale of equipment	4,451,061	-
Proceeds from sublease	103,639	-
Principal lease payments	(119,289)	(238,687)
Net cash provided by (used in) investing activities	168,620	(996,795)
FINANCING ACTIVITIES		
Proceeds from issuance of shares and units	99,095,438	100,000
Share issuance costs	(6,617,710)	-
Proceeds from exercise of options	2,028,395	-
Proceeds from exercise of warrants	1,201,877	-
Repayment of loans payable	(1,943,810)	(2,821,738)
Proceeds from security deposit	-	2,700,000
Net cash provided by (used in) financing activities	93,764,190	(21,738)
Change in cash	46,383,348	(27,679)
Effect of exchange rate changes on cash	4,429	193,706
Cash, beginning	1,073,838	1,133,429
Cash, end	47,461,615	1,299,456

The accompanying notes are integral to these Condensed Interim Consolidated Financial Statements.

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

1. NATURE OF OPERATIONS

DMG Blockchain Solutions Inc. (the "Company") was incorporated under the provisions of the *British Columbia Business Corporations Act* on April 18, 2011. The Company's head office and principal place of business is Suite 490 – 1090 Homer Street, Vancouver, British Columbia, Canada, V6B 2W9. The Company's shares are listed on the TSX-V under the symbol DMGI.

The Company is a full service blockchain and crypto currency 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, 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 in research and development of technology solutions related to transaction verification services business.

2. BASIS OF PRESENTATION

a) *Statement of compliance*

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and follow the same accounting policies and methods of application as the Company's September 30, 2020 annual audited financial statements. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual statements.

b) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The financial transactions of subsidiaries are included in the consolidated financial statements from the date control is obtained. Intercompany balances, transactions, income, and expense are eliminated and gains or losses on intercompany transactions are eliminated. Where the Company does not own 100% of the subsidiary or associate, non-controlling interest is classified as a component of equity. The accounting policies of subsidiaries are the same as those of the Company.

Principal subsidiaries	Percentage ownership		Country of incorporation
	June 30, 2021	September 30, 2020	
DMG-US, Inc. ⁽ⁱ⁾	100%	81%	United States
Datient, Inc. ⁽ⁱⁱ⁾	100% indirect through DMG-US	81% indirect through DMG-US	United States
DMG Blockchain Services Inc. ⁽ⁱⁱⁱ⁾	100%	-	United States

⁽ⁱ⁾ The Company has voting control of DMG-US, Inc. based upon ownership of Class A common shares that provide voting rights of 100%. DMG-US, Inc. is consolidated from the date control was acquired on February 13, 2018.

⁽ⁱⁱ⁾ Datient, Inc. is a wholly owned subsidiary of DMG-US, Inc., which is controlled by the Company and consolidated from the date of control on February 13, 2018.

⁽ⁱⁱⁱ⁾ DMG Blockchain Services Inc. is a wholly owned subsidiary of the Company and consolidated from the date of incorporation on October 30, 2019.

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended September 30, 2020 and have been consistently followed in the preparation of these consolidated condensed interim financial statements.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended September 30, 2020.

5. AMOUNTS AND INVESTMENTS RECEIVABLE

The Company's amounts and investments receivable consist of the following:

	June 30, 2021	September 30, 2020
Trade receivables	\$ 585,970	\$ 616,083
Sales taxes recoverable	1,122,641	1,101,852
Investments receivable ((a) and (b))	4,000,000	-
Due from related party (Note 15)	10,000	-
Provision for doubtful accounts	(385,065)	(372,014)
	<u>\$ 5,333,546</u>	<u>\$ 1,345,921</u>

The following is continuity of the Company's provision for doubtful accounts:

	June 30, 2021	September 30, 2020
Opening balance	\$ 372,014	\$ 412,072
Provision for doubtful accounts	13,051	25,222
Settled doubtful accounts	-	(65,280)
	<u>\$ 385,065</u>	<u>\$ 372,014</u>

During the nine months ended June 30, 2021, the Company recorded a provision for doubtful accounts of \$13,051 for expected credit losses (2020 - \$65,544).

- (a) On March 17, 2021, the Company entered into an agreement to purchase 800,000 subscription receipts of a private company for \$1,000,000. The subscription receipts are to be converted into units of the private company upon the completion of a TSX-V Qualifying Transaction involving a listed entity and the private company. Each unit will be comprised of one share and one-half of one common share-purchase warrant. Each warrant will be exercisable into one common share at \$1.88 per share for a period of two years from the closing. As of June 30, 2021, the proposed go public transaction had not yet completed and has a deadline of November 25, 2021. If the transaction is not completed by November 25, 2021, the subscription receipt funds are to be returned to the Company.

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

5. AMOUNTS AND INVESTMENTS RECEIVABLE (continued)

On June 2, 2021, the Company paid \$3,000,000 to purchase 8,000,000 units of Brane Inc. Each unit is to consist of one common share and one warrant. Each whole warrant is exercisable into one common share of Brane Inc. at a price of \$0.50 per share for a period of 24 months. Brane Inc. is a private Company incorporated in Ontario, Canada and is in the business of digital asset custody. As of June 30, 2021, the Company had not received the units and have been included in investments receivable.

6. DIGITAL CURRENCY

At June 30, 2021 and September 30, 2020, the Company held Bitcoin (“BTC”) and Ethereum (“ETH”) as its digital currency. Bitcoin and Ethereum are recorded at their fair value on the date they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined by taking the closing price listed on “xe.com” at the reporting dates.

All digital assets described below are measured at fair value and are categorized as Level 2 under the fair value hierarchy described in Note 20.

The continuity of digital currencies is as follows:

	BTC		ETH		Total
	Units	\$	Units	\$	\$
Opening balance, September 30, 2019	139.13	1,523,091	-	-	1,523,091
Digital currency mined	229.80	2,723,537	-	-	2,723,537
Digital currency received on settlement of amounts receivable and loans receivable	0.62	7,829	-	-	7,829
Digital currency sold	(302.23)	(3,613,897)	-	-	(3,613,897)
Digital currency revaluation	-	325,445	-	-	325,445
Opening balance, September 30, 2020	67.32	966,005	-	-	966,005
Digital currency mined	42.32	1,109,655	-	-	1,109,655
Digital currency received on settlement of amounts receivable	-	-	41.51	51,575	51,575
Digital currency purchased	218.08	14,967,000	-	-	14,967,000
Digital currency sold	(70.00)	(955,003)	-	-	(955,003)
Digital currency revaluation	-	(5,077,453)	-	66,240	(5,011,213)
Ending balance at fair value, June 30, 2021	257.72	11,010,204	41.51	117,815	11,128,019

7. MARKETABLE SECURITIES

Marketable securities are fair valued at the end of each reporting period. The fair values of the common shares of publicly traded companies have been directly referenced to published price quotations in an active market. The fair value of investments in private placements is referenced to the most recent equity financing completed by each private company. A continuity of the Company’s marketable securities is as follows:

	June 30, 2021	September 30, 2020
Common shares of public companies:		
Fair value, opening	\$ -	\$ -
Received as payment for software revenue (Note 16)	625,300	-
Loss on marketable securities	(155,086)	-
	\$ 470,214	\$ -

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

8. DEPOSITS ON LONG-TERM ASSETS

	June 30, 2021	September 30, 2020
Security deposit on utilities (note 17)	\$ 1,321,480	\$ 1,323,800
Deposits on mining equipment	29,696,530	-
	\$ 31,018,010	\$ 1,323,800

On March 19, 2021, the Company paid \$12,606,000 (USD \$10,000,000) towards the purchase of 2,915 miners. On June 4, 2021, the Company received a refund of \$3,532,331 (USD \$2,802,103) and expects to receive 576 miners of the total of 2,915.

On April 14, 2021, the Company entered into an agreement to purchase 5,400 miners for a purchase price of USD \$38,303,550. The Company has currently made payments towards the purchase of \$20,622,861 (USD \$16,684,057).

9. INTANGIBLE ASSETS

The continuity of intangible assets is as follows:

COST	Patent Tradename	Technology and Database	Total
	\$	\$	\$
As at September 30, 2019, 2020, and June 30, 2021	21,000	788,867	809,867
ACCUMULATED AMORTIZATION			
As at September 30, 2019	1,750	339,930	341,680
Amortization	1,050	203,800	204,850
As at September 30, 2020	2,800	543,730	546,530
Amortization	787	152,850	153,637
As at June 30, 2021	3,587	696,580	700,167
NET BOOK VALUE			
As at September 30, 2020	18,200	245,138	263,338
As at June 30, 2021	17,412	92,287	109,700

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

10. PROPERTY AND EQUIPMENT

COST	Land	Construction in Progress	Power Substation	Data Centre	Computer and mining equipment	Furniture and other equipment	Motor Vehicle	Right of use Assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at September 30, 2019	413,000	5,837	3,625,095	11,235,513	1,413,561	23,741	6,999	849,956	17,573,702
Additions	-	39,303	-	57,003	3,390,633	10,876	-	-	3,497,810
Disposals	-	-	-	(356,977)	(1,527)	-	-	(526,214)	(884,718)
Reclassification to assets held for sale (Note 20)	-	-	-	-	(3,312,689)	-	-	-	(3,312,689)
Reclassification	-	(22,978)	1,913	21,065	-	-	-	-	-
As at September 30, 2020	413,000	22,162	3,627,008	10,956,604	1,489,978	34,617	6,999	323,742	16,874,110
Additions	-	285,113	-	19,855	14,718	5,553	-	-	325,239
Disposals	-	-	-	(397,242)	(460,852)	-	-	(57,422)	(915,516)
Reclassification	-	(16,489)	-	16,489	-	-	-	-	-
As at June 30, 2021	413,000	290,786	3,627,008	10,595,706	1,043,844	40,170	6,999	266,320	16,283,833
ACCUMULATED DEPRECIATION									
As at September 30, 2019	-	-	147,041	900,032	1,148,099	6,904	177	228,678	2,430,931
Depreciation	-	-	136,675	884,492	716,514	6,882	1,785	286,966	2,033,314
Disposals	-	-	-	(55,711)	(70)	-	-	(213,222)	(269,003)
Reclassification to assets held for sale (Note 20)	-	-	-	-	(591,452)	-	-	-	(591,452)
As at September 30, 2020	-	-	283,716	1,728,813	1,273,091	13,786	1,962	302,422	3,603,790
Depreciation	-	-	98,973	575,759	32,926	2,965	1,026	13,345	723,994
Disposals	-	-	-	(89,420)	(326,527)	-	-	(56,991)	(472,938)
As at June 30, 2021	-	-	382,689	2,215,152	978,490	16,751	2,988	258,776	3,854,846
Effect of foreign exchange	-	-	-	-	(1,031)	-	-	-	(1,031)
NET BOOK VALUE									
As at September 30, 2020	413,000	22,162	3,343,292	9,227,791	216,887	20,831	5,037	21,320	13,270,320
As at June 30, 2021	413,000	290,786	3,244,319	8,380,554	64,323	23,419	4,011	7,544	12,427,956

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended June 30, 2021

(Expressed in Canadian dollars) (Unaudited)

11. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2021	September 30, 2020
Trade payables and accrued liabilities	\$ 3,371,306	\$ 3,511,718
Trade payable and accrued liabilities - related parties (Note 13)	224,654	543,309
Sales taxes payable	90,822	90,822
	\$ 3,686,782	\$ 4,145,849

12. LEASE LIABILITY

The Company leases certain assets under lease agreements. The lease liability consists of leases for office space, vehicles and equipment. The leases bear interest of approximately 10% per annum and expiry dates for these leases range from November 2020 to January 2023. The related lease liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of that date of 4.2%.

At June 30, 2021 and September 30, 2020, the Company's lease liability related to office leases is as follows:

Lease liability	June 30, 2021	September 30, 2020
Current portion	\$ 147,692	\$ 136,317
Long-term portion	87,453	172,529
Total lease liability	\$ 235,145	\$ 308,846

At June 30, 2021 and September 30, 2020, the Company is committed to minimum lease payments as follows:

Maturity analysis	June 30, 2021	September 30, 2020
Less than one year	\$ 154,217	\$ 146,130
One to five years	88,369	177,077
More than five years	-	-
Total undiscounted lease liabilities	\$ 242,586	\$ 323,207

Amounts recognized in profit or loss	June 30, 2021	September 30, 2020
Interest on lease liabilities	\$ 8,595	\$ 23,184
Income from sub-leasing right-of-use asset	-	-
Expenses related to short-term leases	\$ -	\$ -

Amounts recognized in the statement of cash flows	June 30, 2021	September 30, 2020
Principal payments on lease liabilities	\$ 119,289	\$ 237,907
Total cash outflows for leases	\$ 119,289	\$ 237,907

DMG Blockchain Solutions Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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12. LEASE LIABILITY (Continued)

On September 1, 2020, the Company entered into a sublease agreement related to office space. At June 30, 2021 and September 30, 2020, the Company's lease receivable related to office leases is as follows:

Lease receivable	June 30, 2021	September 30, 2020
Current portion	\$ 127,270	\$ 110,769
Long-term portion	72,245	162,614
Total lease receivable	\$ 199,515	\$ 273,383

Maturity analysis	June 30, 2021	September 30, 2020
Less than one year	\$ 132,288	\$ 119,975
One to five years	72,877	167,222
More than five years	-	-
Total undiscounted lease receivable	\$ 205,165	\$ 287,197

13. LOANS PAYABLE

- a) On February 13, 2019, the Company issued a promissory note in the amount of \$291,881 to Polyphase Capital LLC. The promissory note bears no interest and is unsecured. The repayment of the note is dependent on the receipt of a Goods and Services Tax (GST) refund of the same amount by the Company on behalf of Polyphase Capital LLC from the Canada Revenue Agency.
- b) On March 27, 2020, entered into a loan agreement for \$518,414 (\$362,477 USD) related to the purchase of mining equipment. The loan bears interest at 16.5% per annum. The principal, finance fee and interest are payable in installments over a period of twelve months with the final payment due on April 26, 2021. The loan is secured against the Company's miners.

The loan has been recorded at amortized cost of \$482,499, and the Company recorded \$1,451 in accretion during the nine months ended June 30, 2021 (2020 - \$494).

On January 25, 2021, the Company sold the miners secured by this loan (Note 9). As a result, the Company repaid the outstanding loan balance in full (September 30, 2020 - \$241,745 (\$181,238 USD)). In connection with the repayment, the Company also paid interest of \$4,762 and risk premium of \$5,820.

- c) On May 8, 2020, entered into a loan agreement for \$2,131,737 (\$1,531,200 USD) related to the purchase of mining equipment. The loan bears interest at 16% per annum. The principal, finance fee and interest are payable in installments over a period of twelve months with the final payment due on November 8, 2021. The loan is secured against the Company's miners.

The loan has been recorded at amortized cost of \$1,941,928, and the Company recorded \$69,747 in accretion during the nine months ended June 30, 2021 (2020 - \$Nil).

On January 25, 2021, the Company sold the miners secured by this loan (Note 9). As a result, the Company repaid the outstanding loan balance in full (September 30, 2020 - \$1,702,056 (\$1,276,000 USD)). In connection with the repayment, the Company also paid interest of \$130,029 and risk premium of \$120,077.

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14. SHARE CAPITAL AND RESERVES

a) Share capital

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

Share capital activity for the nine months ended June 30, 2021

On May 3, 2021, the Company closed a prospectus offering for 22,297,644 units for gross proceeds of \$28,095,031. Each unit consists of one common share and one warrant. Each warrant is exercisable at \$1.50 until May 3, 2024. These warrants have a relative fair value of \$12,428,409 determined using the Black-Scholes model with the following inputs: i) exercise price: \$1.50; ii) share price: \$1.15; iii) term: 3.00 years; iv) volatility: 154%; v) discount rate: 0.29%.

In connection with the financing, the Company incurred finders' fees of \$1,545,227, legal fees of \$152,398 and issued 1,226,370 brokers' warrants. Each warrant is exercised into one common share at \$1.575 until May 3, 2024. These warrants have a fair value of \$1,111,976 determined using the Black-Scholes model with the following inputs: i) exercise price: \$1.575 ii) share price: \$1.15; iii) term: 3.00 years; iv) volatility: 154%; v) discount rate: 0.29%.

On March 5, 2021, the Company closed a prospectus offering for 23,333,334 units for gross proceeds of \$70,000,002. Each unit consists of one common share and one-half of one warrant. Each warrant is exercisable at \$3.55 until March 5, 2024. These warrants have a relative fair value of \$19,616,883 determined using the Black-Scholes model with the following inputs: i) exercise price: \$3.55; ii) share price: \$2.48; iii) term: 3.00 years; iv) volatility: 152%; v) discount rate: 0.30%.

In connection with the financing, the Company incurred finders' fees of \$3,850,000, legal fees of \$146,758 and issued 1,283,333 brokers' warrants. Each warrant is exercised into one common share at \$3.75 until March 5, 2024. These warrants have a fair value of \$2,460,122 determined using the Black-Scholes model with the following inputs: i) exercise price: \$3.75 ii) share price: \$2.48; iii) term: 3.00 years; iv) volatility: 152%; v) discount rate: 0.30%.

On December 18, 2020, the Company closed a brokered private placement for 5,884,735 units for gross proceeds of \$1,000,405. Each unit consists of one common share and one warrant. Each warrant is exercisable at \$0.22 until December 18, 2022. These warrants have a relative fair value of \$476,331 determined using the Black-Scholes model with the following inputs: i) exercise price: \$0.22; ii) share price: \$0.69; iii) term: 2.00 year; iv) volatility: 194%; v) discount rate: 0.24%.

In connection with the financing, the Company incurred finders' fees of \$59,115 and issued 347,738 brokers' warrants. Each warrant is exercised into one common share at \$0.22 until December 18, 2022. The fair value of these warrants has been estimated at \$218,081 determined using the Black-Scholes model with the following inputs: i) exercise price: \$0.22; ii) share price: \$0.69; iii) term: 2.00 year; iv) volatility: 194%; v) discount rate: 0.24%.

During the nine months ended June 30, 2021, the Company issued 6,364,647 common shares in connection with the exercise of stock options for proceeds of \$2,028,395. As a result, \$1,919,686 has been reclassified from share-based payment reserve to share capital.

During the nine months ended June 30, 2021, the Company issued 6,271,169 common shares in connection with the exercise of warrants for proceeds of \$1,201,877. As a result, \$3,517,488 has been reclassified from share-based payment reserve to share capital.

During the nine months ended June 30, 2021, the Company issued a total of 1,861,564 common shares upon conversion of a total of 1,861,564 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 19% to Nil such that the Company has a 100% residual interest in Datient as at June 30, 2021.

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14. SHARE CAPITAL AND RESERVES (continued)

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.

b) Stock options

Stock option activity for the nine months ended June 30, 2021

On April 26, 2021, the Company issued 1,972,106 incentive stock options to officers and employees of the Company. The options are exercisable at a price of \$1.41 per option expiring on April 26, 2024. These options had a fair value of \$1.33 per option using the Black-Scholes model with the following inputs: i) exercise price: \$1.41; ii) share price: \$1.60; iii) term: 3.00 years; iv) volatility: 153%; v) discount rate: 0.31%. The options vest 25% on each of July 26, 2021, October 26, 2021, January 26, 2022 and April 26, 2022. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2021.

On March 31, 2021, the Company issued 200,000 incentive stock options to a director of the Company. The options are exercisable at a price of \$2.49 per option expiring on March 31, 2024. These options had a fair value of \$2.02 per option using the Black-Scholes model with the following inputs: i) exercise price: \$2.49; ii) share price: \$2.48; iii) term: 3.00 years; iv) volatility: 153%; v) discount rate: 0.23%. The options vest 25% on each of June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2021.

On March 15, 2021, the Company issued 200,000 incentive stock options to an employee of the Company. The options are exercisable at a price of \$3.00 per option expiring on March 15, 2023. These options had a fair value of \$1.86 per option using the Black-Scholes model with the following inputs: i) exercise price: \$3.00; ii) share price: \$2.48; iii) term: 2.00 years; iv) volatility: 171%; v) discount rate: 0.31%. The options vest 25% on each of June 15, 2021, September 15, 2021, December 15, 2021 and March 15, 2022. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2021.

On December 31, 2020, the Company issued 3,655,000 incentive stock options to employees of the Company. The options are exercisable at a price of \$0.65 per option expiring on December 31, 2023. These options had a fair value of \$0.15 per option using the Black-Scholes model with the following inputs: i) exercise price: \$0.65; ii) share price: \$0.60; iii) term: 3.00 years; iv) volatility: 135%; v) discount rate: 0.20%. The options vest 25% on each of March 31, 2021, June 30, 2021, September 30, 2021 and December 31, 2021. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2021.

Stock option activity for the nine months ended June 30, 2020

On April 30, 2020, the Company announced that it had issued 700,000 incentive stock options to employees of the Company. The options are exercisable at a price of \$0.15 per option expiring on April 30, 2021. These options had a fair value of \$0.37 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.15; ii) share price: \$0.48; iii) term: 1.00 year; iv) volatility: 139%; v) discount rate: 0.29%. The options vest 25% on each of July 30, 2020, October 30, 2020, January 30, 2021 and April 30, 2021. A portion of the vested

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14. SHARE CAPITAL AND RESERVES (continued)

value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2020.

On November 12, 2019, the Company announced that it had issued 1,850,000 incentive stock options to employees of the Company. The options are exercisable at a price of \$0.15 per option expiring on November 12, 2022. These options had a fair value of \$0.15 per option using the Black Scholes model with the following inputs: i) exercise price: \$0.15; ii) share price: \$0.11; iii) term: 3.00 years; iv) volatility: 131%; v) discount rate: 1.62%. The options vest 25% on each of February 12, 2020, May 12, 2020, August 12, 2020 and November 12, 2020. A portion of the vested value of these options was included in stock-based compensation and reserves for the nine months ended June 30, 2020.

	Options outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2019	6,778,500	0.41	2.48
Issued	2,550,000	0.15	-
Exercised/Cancelled	(600,000)	0.48	-
Balance, September 30, 2020	8,728,500	0.33	1.56
Issued	6,027,106	1.04	
Expired	(600,000)	0.50	
Exercised/Cancelled	(7,514,647)	0.33	
Balance, June 30, 2021	6,640,959	0.95	2.41

The following table discloses the number of options outstanding as at June 30, 2021:

Number of options	Price per share	Expiry Date
	\$	
83,800	0.10	May 1, 2022
257,691	0.35	November 9, 2022
30,000	0.40	August 24, 2021
11,112	0.40	December 1, 2021
520,000	0.15	November 12, 2022
3,655,000	0.65	December 31, 2023
200,000	3.00	March 15, 2023
200,000	2.49	March 31, 2024
1,972,106	1.41	April 26, 2024
6,640,959		

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14. SHARE CAPITAL AND RESERVES (continued)

c) Warrants

Warrant activity for the nine months ended June 30, 2021

On May 3, 2021, the Company issued 23,524,014 warrants in connection with a private placement financing.

On March 5, 2021, the Company issued 12,950,000 warrants in connection with a private placement financing.

On December 18, 2020, the Company issued 6,232,473 warrants in connection with a private placement financing.

Warrant activity for the nine months ended June 30, 2020

On May 14, 2020, the Company issued 1,481,500 warrants in connection with a private placement financing.

In February of 2020, 2,439,781 warrants with an exercise price of \$0.80 expired unexercised.

In October of 2019, 764,206 warrants with an exercise price of \$0.35 expired unexercised.

	Warrants outstanding and exercisable	Weighted average exercise price	Weighted average life remaining
		\$	
Balance, September 30, 2019	3,203,987	0.69	0.29
Granted	1,481,500	0.10	
Expired	(3,203,987)	0.69	
Balance, September 30, 2020	1,481,500	0.80	0.11
Granted	42,406,487	1.94	
Exercised	(6,271,169)	0.19	
Balance, June 31, 2021	37,916,818	2.16	2.73

The following table discloses the number of warrants outstanding as at June 30, 2021:

Number of warrants	Exercise price per share	Expiry Date
	\$	
1,442,804	0.22	December 18, 2022
11,666,667	3.55	March 5, 2024
1,283,333	3.75	March 5, 2024
22,297,644	1.50	May 3, 2024
1,226,370	1.575	May 3, 2024
37,916,818		

d) Non-Controlling Interest

The non-controlling interest represents equity in Datient, Inc. that is not attributable to the Company. During the nine months ended September 30, 2021 the non-controlling interest has changed from 19% at September 30, 2020 to nil% as at January 14, 2021 due to conversion of DMG-US, Inc. Class B common shares into shares of the Company by the former Datient shareholders such that the Company holds a 100% interest in Datient as at June 30, 2021.

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14. SHARE CAPITAL AND RESERVES (continued)

A reconciliation of the beginning and ending balance for non-controlling interest is as follows:

Balance, September 30, 2019	\$	(4,489,866)
Reduction in NCI upon conversion of shares of DMG-US, Inc. (Note 14(a))		2,421,201
Share of net loss		(245,408)
Balance, September 30, 2020	\$	(2,314,073)
Reduction in NCI upon conversion of shares of DMG-US, Inc. (Note 14 (a))		2,316,798
Share of net loss		(2,725)
Balance, June 30, 2021	\$	-

Non-controlling interest included the following amounts before intercompany eliminations:

		June 30, 2021	September 30, 2020
Current assets	\$	-	\$ 69
Non-current assets		-	264,008
Total assets	\$	-	\$ 264,677
Current liabilities		-	12,341
Non-current liabilities		-	3,865,250
Total Liabilities	\$	-	\$ 3,877,591

		For the period from October 1, 2019 to January 14, 2021	For the nine months ended June 30, 2020
Revenues	\$	90,323	\$ 125,948
Net Loss	\$	(339,199)	\$ (346,077)

There are no items comprising other comprehensive income or loss during the periods ended June 30, 2021 and 2020 that would be attributed to the non-controlling interest.

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management compensation and other related party transactions

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

		For the nine months ended June 30,	
		2021	2020
Salaries, wages and benefits	\$	1,476,985	\$ 1,003,194
Consulting services		150,300	32,000
Share-based compensation		1,465,153	100,371
Total	\$	3,092,438	\$ 1,135,565

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15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related party balances

- As at June 30, 2021, \$268,335 (September 30, 2020 – \$543,309) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.
- As at June 30, 2021, \$10,000 (September 30, 2020 - \$10,000) was owed from the former CEO to the Company for the prepayment of reimbursement of expenses and is included in amounts receivables.

16. REVENUES

The Company's revenue is comprised of the following:

	For the three months ended		For the nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Digital currency mining	\$ 418,149	\$ 484,615	\$ 1,109,655	\$ 1,642,042
Mining equipment hosting and set up service	1,274,126	730,928	4,442,441	3,324,516
Forensics income	9,900	103,693	73,599	245,300
Software	-	-	501,955	-
Consulting income	-	43,997	-	100,494
	\$ 1,702,275	\$ 1,363,233	\$ 6,127,650	\$ 5,312,352

During the period ended June 30, 2021, the Company received \$625,300 in shares of a public company as a payment for the software revenue for the same period (see Note 7).

17. EXPENSES

The Company's general and administrative expense is comprised of the following:

General and administrative	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Consulting	\$ 43,047	\$ 79,935	\$ 130,815	\$ 255,895
General and administrative office expenses	535,333	248,699	1,168,080	329,789
Marketing and public relations	1,288	2,458	10,501	5,202
Investor relations	55,404	-	86,852	2,500
Professional fees	63,839	57,534	340,641	290,812
Regulatory and filing	-	5,650	-	-
Wages	403,581	118,116	1,297,953	912,772
	\$ 1,102,492	\$ 512,393	\$ 3,034,842	\$ 1,796,971

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17. EXPENSES (continued)

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

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Utilities	\$ 1,394,492	\$ 1,010,490	\$ 4,270,244	\$ 3,827,871
Contractors and other	54,634	11,348	84,423	121,107
Wages	338,072	82,092	650,610	398,313
Total	\$ 1,787,198	\$ 1,103,930	\$ 5,005,277	\$ 4,347,291

On December 18, 2018, the Company entered into an agreement under which \$2,202,605 was paid as a security deposit for the provision of utilities. As at June 30, 2021, \$1,321,480 (September 30, 2020 - \$1,323,800) of these funds still remain and are included in long term deposits.

18. CAPITAL DISCLOSURES

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

19. RESEARCH

Research costs incurred comprised of salaries of software developers involved in the research of existing and new crypto currency related tools and services for which no proved future benefit can be demonstrated yet.

20. FINANCIAL INSTRUMENTS

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

		Quoted prices in active markets for identical instruments	Significant other observable inputs		Significant unobservable inputs	Total
			Level 2	Level 3		
June 30, 2021						
Cash		\$ 47,461,615	-	\$ -	\$ 47,461,615	
Marketable securities	(i)	470,214	-	-	470,214	
September 30, 2020						
Cash	(i)	\$ 1,073,838	-	\$ -	\$ 1,073,838	

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20. FINANCIAL INSTRUMENTS (continued)

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.

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 June 30, 2021, 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 result in a material impact on the Company's operations.

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20. FINANCIAL INSTRUMENTS (continued)

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 and ETH 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. At June 30, 2021, the Company held net financial liabilities of \$1,534,523 denominated in US dollars (US\$1,238,019). A 10% change in the foreign exchange rate would result in a change in the net loss for the period of approximately \$153,452.

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.

21. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

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

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

b) Contract commitments

On September 30, 2018, the Company entered into an agreement with IBM Canada Ltd. to develop a global cannabis supply chain platform. The Company is committed to spend \$10,000,000 on development activities over a three-year period. If the Company terminates the agreement prior to its three-year anniversary, the Company will owe IBM Canada a payment equal to five percent of the outstanding committed spend which amounts to \$350,900. As at June 30, 2021, the Company has incurred cumulative fees of \$2,981,615 since inception of the project. These costs are expensed as research costs. As at June 30, 2021, the Company has \$2,048,315 payable to IBM Canada and included in trade and other payables.

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22. SUBSEQUENT EVENTS

- a) On July 2, 2021, the Company purchased a convertible debenture of BOSONIC Inc. for USD \$2,000,000. The convertible debenture is interest bearing at 5% per annum and matures on July 2, 2023. In the event that BOSONIC Inc. raises at least USD \$15,000,000 in new capital, the debenture will automatically convert into common shares of BOSONIC Inc. at a conversion price equal to:
 - a. The product of 0.75 and the lowest price per share paid in the financing; or
 - b. The price per share obtained by dividing USD \$200,000,000 by the total number of common shares of BOSONIC Inc. outstanding on a diluted basis.
- b) On July 28, 2021, the Company granted 2,478,000 stock options to employees, officers, directors and consultants of the Company. The options are exercisable at \$0.84 per share until July 28, 2024. The options vest as follows: 25% on October 28, 2021, 25% on January 28, 2022, 25% on April 28, 2022 and 25% of July 28, 2022.
- c) Subsequent to June 30, 2021, the Company issued 229,495 common shares related to the exercise of options for proceeds of \$90,845.
- d) Subsequent to June 30, 2021, the Company issued 250,000 common shares related to the exercise of warrants for proceeds of \$55,000.