

## **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 nine months ended June 30, 2021. The MD&A provides a detailed account and analysis of the Company's financial and operating performance for the period. 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 30, 2021 which contains the condensed interim consolidated financial statements for the Company's June 30, 2021 and other corporate filings available at [www.sedar.com](http://www.sedar.com) ("SEDAR"). Management is responsible for the financial statements referred to in this MD&A and provides officers disclosure certifications filed on SEDAR. The Audit Committee reviews the financial statements and MD&A and recommends approval to the Company's Board of Directors.

This MD&A 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, completing the retrofitting of air-cooling infrastructure to immersion cooling and the expected benefits therefrom, acquire or joint-venture on additional facilities and sites, investments in other companies and projects, solar power generation, hydrogen production, product development including Blockseer Breeze and Freeze and Blockseer Petra, events, courses of action, strategies, 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 bitcoin; security threats, including a loss/theft of DMG's bitcoin; 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

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present and future business strategies and the environment in which the Company will operate in the future, including the demand for its products, the ability to successfully develop software, that there will be no regulation or law that will prevent the Company from operating its business, anticipated costs, the ability to achieve goals and the price of bitcoin. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, failure to obtain regulatory approval, the continued availability of capital and financing, equipment failures, lack of supply of equipment, power and infrastructure, failure to obtain any permits required to operate the business, the impact of technology changes on the industry, decrease in the price of Bitcoin and other cryptocurrencies, competition, security threats including stolen bitcoin from DMG or its customers, consumer sentiment towards DMG's products, services and blockchain technology generally, failure to develop new and innovative products, litigation, the impact of Covid-19 or other viruses and diseases on the Company's ability to operate, increased scrutiny of the Bitcoin industry including power consumption related issues, 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](http://www.sedar.com)

This MD&A is current as at August 30, 2021.

**DESCRIPTION OF THE BUSINESS**

DMG Blockchain Solutions Inc. is a vertically integrated blockchain and cryptocurrency company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. Focusing on the Company's strategy and vision for Blockchain, it strives to increase the value in all its assets from our substation in British Columbia to our Blockseer software platforms and the continued strategic investments we have made and are making.

**DMG's CORE**

**Christina Lake Data Centre**

DMG operates its data centre in Christina Lake, BC. The Data Centre is 100% owned by DMG and includes our own privately constructed 85-megawatt substation on DMG's thirty-three acre property along with a 27,000 square foot building. Owning this asset gives the company many advantages in power infrastructure, which is the primary need of any crypto mining operation. By owning our infrastructure, DMG is not only free from leases and landlords, but also is independent from drawing community needs for power where we operate. Due to the location selected DMG is also investigating the addition of both solar power generation and a small investment in hydrogen production as both a long-term revenue generation stream and as part of the company's renewables strategy.

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DMG is actively working to retrofit our air-cooling infrastructure over to immersion cooling. Immersion cooling is a leap forward in operational optimization as it allows for reduced electrical usage, significantly improved heat transfer rates, and an associated ability to increase hardware performance while at the same time extending hardware useful life and reducing overall capital expenditures on server equipment when looking at comparative hashing rates and energy consumption between the air and liquid cooling systems. DMG's retrofitting is also inline with our ESG goals of energy reduction for the amount of computational hashing we manage.

Due to the success of Christina Lake's operations, DMG is now seriously investigating additional sites. DMG has entered into discussions with multiple parties where we believe that our expertise and our supply chain capabilities can move quickly to low cost, high margin future sites. We are hoping to conclude negotiations in the near future and announce additional DMG sites.

**DMG's Core+**  
**Blockseer's Platforms**

In early 2018, DMG acquired Datient Inc., a Silicon Valley-based technology company with a mixture of great data scientists that had created the Blockseer brand name with its first product which was an analytics tool that enables tracking of initially Bitcoin and then transactions on both the Bitcoin and Ethereum blockchains. However, over the years DMG has found more ways to develop this technology. After the acquisition of Datient, DMG invested in developing Walletscore due to the value of Blockseer's data. Now we are continuing the development of this platform focused on two distinct crypto categories: Safety & Security and Regulatory & Compliance.

**Blockseer Platforms - Safety & Security**

Blockseer Explorer: Launched in 2015, this is an analytics tool that enables the tracking of cryptocurrency on both the Bitcoin and Ethereum blockchains. It examines cryptocurrency flows through wallets. This technology is catered to the FBI, IRS, various crypto exchanges, and other law enforcement agencies and industry participants. With the data gathered, user interaction and labelling, together with our proprietary artificial intelligence algorithms, Blockseer has become an essential blockchain investigative tool.

Blockseer Breeze: Planned for Q4 2021, this platform is focused on equipping anyone from individual crypto wallet users to financial institutions with an enterprise-grade custody solution to securely manage digital assets with the choice of single or multiple signatures to execute a crypto transaction.

Blockseer Freeze: Planned for Q4 2021, this software product monitors Bitcoin wallets, notifying the owner(s) of any transactions and provides a mechanism to stop suspicious transactions from being executed.

**Blockseer Platforms - Regulatory Compliance**

Blockseer Walletscore: Launched in 2018, this platform measures the propensity of a crypto-wallet to engage in criminal activity. It is focused on Anti-Money Laundering (AML) compliance obligations with a custom DMG API for crypto exchanges to payment platforms to interconnect and utilize this platform. The system identifies transactions related to unusual activities such as funding crimes or money laundering.

Mine Manager: Launched in 2018, this platform assists in operating successful industrial facilities by driving efficiencies to minimize power consumption and maximize uptime for operating servers. This real-time platform monitors many key metrics, including temperature, humidity, individual and pooled hash rates, as well as real-time switching and routing, allowing any mining facility's staff to make real-time adjustments and repairs. DMG licenses this software to other industrial miners as well.

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Blockseer Mining Pool: Launched in 2020 this new platform is a North American based cryptocurrency mining pool dedicated to decentralizing the Bitcoin network hashrate and providing more transparency in the crypto-mining industry, specifically Bitcoin to start with. As an integral part of DMG's ecosystem, Blockseer's Pool incorporates with DMG's existing crypto platforms Walletscore (real-time AML) and Mining Manager (industrial level crypto server management), to provide miners with not only quality operations data but a new standard in mining compliance and governance. DMG licenses this software to other companies and entities.

Blockseer Petra: Planned for Q1 2022 Petra is a business-to-business software integration geared for financial institutions and exchanges to interact with DMG's compliance and regulatory driven software goals. We believe Petra will allow regulated financial institutions new options to become more involved with Bitcoin directly.

As well, DMG is investing to bring crypto exchange functionality to our platform so crypto to fiat transactions can all be simply executed in the Blockseer ecosystem.

DMG believes that it might be the only company that is both creating bitcoin as a pure crypto miner (Core) and then monetizing it continuously after creation through its Blockseer platforms (Core+) catered for the financial services industry.

*COVID-19*

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

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

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*Bitcoin Market Trends*

Bitcoin continued to drive upward on the trend set in the fourth quarter ending September 30, 2020 with a new all time high being established in late November 2020. Fueled by continued support from large name investors. Late October Bank of Canada moved its digital currency project out of the 'experimental' phase and is pushing G7 nations to coordinate on digital currencies. A US survey done by Grayscale found that over 50% of American investors are interested in Bitcoin, providing an insight into retail demand. Continued increase in price has led to rapid increase of profitability in mining, so much so that older previously unprofitable hardware is now online and profitable again. The first quarter of the fiscal year is proving to be a substantial foundation for continued Bitcoin growth throughout 2021.

Over the quarter ending June 30, 2021, Bitcoin price declined over 40% to \$34,855.64 USD with an average price over the period of \$46,578.86. This price action was largely driven by regulatory decisions in China that also shifted mining out of the country. This led to a large drop in network hashrate over the period which then difficulty followed suit. Network hashrate fell over 93%, yet interestingly difficulty fell nearly 9%. This is due to the lag in difficulty adjustments to network hashrate changes, the difficulty retarget came into effect early July thus not being material to this period. While the short term effects on price from the China mining shift were negative, long term we believe this to be a positive to the space, allowing for further decentralization of hashrate and reduction of coal based mining operations.

Future changes in the Bitcoin network-wide mining difficulty rate or Bitcoin hashrate may materially affect the future performance of DMG's production of Bitcoin, and future operational results could also be materially affected by the price of Bitcoin and an increase in hashrate mining difficulty.

## **QUARTERLY HIGHLIGHTS**

- On October 29, 2020, the Company announced the launch of a new North America-based Bitcoin mining pool in beta from its USA subsidiary, Datient, also known as Blockseer:
  - Blockseer's new Bitcoin mining pool will be North America's first bitcoin mining pool that will not only meet, but exceed the US Government's Office of Foreign Assets Control (OFAC) compliance for BTC addresses, as well as providing the utmost level of transparency, auditability and corporate governance.
  - Blockseer's pool may further decentralize the bitcoin blockchain, readjusting the balance of hash rate to North America, where more Bitcoin nodes operate
  - Blockseer's pool integrates DMG's existing proprietary crypto forensics data, including Walletscore, to ensure that transaction blocks are OFAC compliant, as well as other risk factors that Walletscore tracks and manages
  - Blockseer's pool is integrated into DMG's core technology platform, bringing all of DMG's mine manager features into the pool, and providing an integrated User Experience for our customers.
- On December 18, 2020, the Company closed a private placement for gross proceeds of \$1,000,405. The Company intends to use the net proceeds for general working capital purposes.

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- On January 5, 2021, the Company entered into a non-binding memorandum of understanding to form Digital Currency Miners of North America (“DCMNA”), which will be a U.S.-based non-profit entity whose mission is to create a better mining environment for North American miners, to help improve their financial performance, and to create North America’s first cooperative mining pool. Subsequent to March 31<sup>st</sup> the DCMNA changed the name of the pool to Mara Pool and it operates solely under the Mara Pool name and is no longer pursuing the DCMNA as a non-profit entity, to the best of DMG’s knowledge.
- During February 2021, the Company began conducting an extensive long-term immersion cooling feasibility study, allowing the Company to proceed with needed preparations for large-scale deployment in 2021. Immersion cooling will enable DMG to grow its operations in a sustainable way, as well as to reinforce its leadership in the area of innovation-driven Bitcoin mining.
- On March 2, 2021, the Company announced Ecopwrs LLC ("Ecopwrs") from Wyoming, USA has selected DMG to lead the development and management of its Bitcoin mining operations in the Permian Basin of the United States. This initial project will be for 25 MW of flare gas converted for use in Bitcoin mining. Ecopwrs reduces natural gas flaring by using gas to generate electric power and operate Bitcoin mining servers at well sites. This low-cost power improves margins for Bitcoin mining while reducing carbon emissions at Ecopwrs’ sites in the Permian Basin of Texas and New Mexico, which will be developed, in cooperation with DMG, as the exclusive Bitcoin mining operator.
- On March 5, 2021, the Company closed a private placement for gross proceeds of \$70,000,407. Refer to Liquidity and Capital Resources for a detailed use of proceeds.
- On March 26, 2021, the Company and Argo Blockchain Plc have entered into a Memorandum of Understanding to establish Terra Pool, a cooperative effort to launch a Bitcoin mining pool exclusively powered by clean energy. Initially, the Pool will consist of both DMG’s and Argo’s hashrate, which currently uses energy predominantly generated by hydroelectric resources.
- On March 31, 2021, the Company announced that Dan Reitzik resigned from the Company as a director and as the Chief Executive Officer. Sheldon Bennett, also a founder, who leads the day-to-day operations of the Company, has been appointed CEO and will also continue in his position of Chief Operating Officer in the interim. The Company is also pleased to announce that Steven Eliscu has joined DMG’s board of directors.

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- On March 31, 2021, the Company entered into a definitive license agreement (the “Agreement”) to provide technology solutions for Marathon and the new Digital Currency Miners of North America (“DCMNA”) pool. Subsequent to March 31<sup>st</sup> the DCMNA changed the name of the pool to Mara Pool and it operates solely under the Mara Pool name and is no longer pursuing the DCMNA as a non-profit entity, to the best of DMG’s knowledge. Marathon is one of the largest enterprise Bitcoin self-mining companies in North America and will be launching the first North America-based Bitcoin mining pool that is fully compliant with U.S. regulations, including anti-money laundering (AML) and the Office of Foreign Asset Control’s (OFAC’s) standards. Pursuant to the terms and conditions of the Agreement, DMG will receive:
  - USD\$500,000 in common shares of Marathon;
  - a monthly license fee paid of a minimum USD 100,000.00 in cash or Bitcoin (at DMG’s election) with a sliding scale based on Mara Pool’s block rewards and transaction fees received by the pool; and
  - technical support services to be provided on an as-needed basis with payment in US dollars.
- On April 19, 2021, the Company purchased 3,600 bitcoin ASIC miners. On April 26, 2021, the Company purchased an additional 1,800 bitcoin ASIC miners, increasing DMG’s total hashrate to well over 680 PH/s. The Company expects to begin receiving the miners in August of 2021.
- On May 13, 2021, the Company and Argo Blockchain Plc (OTCQB US: ARBKF), a UK-based global cryptocurrency mining company, announced their partnership in the Crypto Climate Accord (CCA) to promote the decarbonization of the cryptocurrency industry. Alongside the CCA, DMG and Argo are developing a new working group to more clearly outline the CCA’s objectives, while deploying new technologies that increase the transparency of the renewable energy sourcing of crypto mining.
- On June 8, 2021, the Company made a strategic investment of \$3,000,000 in Ottawa-based Brane Capital, a leading cryptocurrency and digital asset custodian. This investment and partnership with Brane will allow DMG’s custody solutions, under the Blockseer portfolio, to enter the market sooner than anticipated and complement other technology investments DMG is currently planning.

## **OVERALL PERFORMANCE AND OPERATIONS**

During the nine months ended June 30, 2021, the Company had three hosting contracts ended consuming approximately 6 megawatts, and added one new hosting contract in addition to two other clients totaling approximately 8.2mw of hosting. The Company currently has purchased 7,850 S19j pro miners from Bitmain with various delivery schedules as well as 2,915 S17 miners from another vendor, of which 2,339 were returned for a refund. The Company has 576 miners that are currently not operating as they are being shipped to Christina Lake.

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The Company's revenue increased from the nine months in the prior period by \$815,118, and net loss decreased by \$6,613,219. The increase in revenue is attributable in increases in software license and related development income and increases in mining equipment hosting revenue due to the addition of new hosting clients. The overall net loss increased due to an unrealized loss of digital currency of \$4,686,205 and increased share-based compensation of \$2,208,050.

**RESULTS OF OPERATIONS**

***Three Months Ended June 30, 2021***

Revenue for the three months ended June 30, 2021 was \$1,702,275 a increase of \$339,042 as compared to the three months ended June 30, 2020. Mining equipment hosting increased by \$543,198 compared to the three months ended June 30, 2020. The increase is attributable to an increase in hosting clients as compared to the prior period. The increase in revenue was offset by a decrease in digital currency mining of \$66,466 and a decrease of \$137,790 in consulting and forensics income.

Operating and maintenance costs for the three months ended June 30, 2021 was \$1,787,198 as compared to \$1,103,930 for the three months ended June 30, 2020. The Company's utilities costs increased from \$1,010,490 to \$1,394,492 is consistent with the increase in hosting fees. Contractor fees, and wages increased by \$255,980 as compared to the prior quarter due to expansion of electrical infrastructure at the Christina Lake data centre to increase the amount of self mining and hosting capacity.

General and administrative costs for three months ended June 30, 2021 was \$1,102,491. These consisted mostly of Consulting, Wages and Professional Fees. This compares to \$512,393 during the quarter ended June 30, 2020. General and administrative office expenses increased by \$286,634, of which \$247,058 is attributable to the return of a wage garnishment in the prior period.. Salaries and wages increased by \$285,464, mainly related to bonuses paid to officers and directors as well as new hires.

Research for three months ended June 30, 2021 was \$73,111, compared to \$23,046 from the same quarter in 2020.

***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 Bitcoin, 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).

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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.

***Nine Months Ended June 30, 2021***

Revenue for the nine months ended June 30, 2021 totalled \$6,127,650 consisted mostly of hosting revenue, software license revenue and self-mining revenue. There was an increase of \$1,037,560 compared to the same period prior year. The increase is related to the recognition of \$501,955 in software license revenue, and increased hosting revenues of \$1,117,925 related to several new hosting clients in the period. Increases in revenue were offset by a decrease in digital currency mining of \$532,387 in the period as the Company sold 1,240 miners in the period. Forensics income, and consulting income decreased by \$272,195.

Operating and maintenance costs for nine months ended June 30, 2021 was \$5,005,277 consisting mostly of utility bills, contractors' fees and wages with relation to the data center improvements and construction. For the nine months ended June 30, 2021, operating and maintenance costs increased by \$657,986 as compared to June 30, 2020. Increases are attributable to an increase in utilities of \$442,373 as a result of the increase power drawn from additional hosting clients. Wages increases by \$252,297 as compared to the nine months ended June 30, 2020 due to additional staff hired in the period.

General and administrative costs for nine months ended June 30, 2021 was \$3,034,841. These consisted mostly of consulting, wages and professional fees. This compares to \$1,796,971 during the same period ended June 30, 2020. The reasons for increase are attributable to a large wage garnishment reversal in the prior period, bonuses paid to officers and directors, and interest and accretion related to the repayment of loans in the period.

Research costs for the nine months ended June 30, 2021 were \$163,162. This is down significantly from the same period in 2020, where they totaled \$425,586, a decrease of \$262,424. This large decrease is due to lower wage costs, as the company moves away from research and into operational stages.

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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.

**Selected Quarterly Information for the most recent completed Quarters:**

	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
	Q3	Q2	Q1	Q4
<b>Revenue</b>	1,702,275	2,496,452	1,928,923	2,091,148
<b>Net income</b>	(8,422,253)	(914)	(693,391)	(325,433)
<b>Comprehensive (loss)</b>	(8,364,499)	2,175,963	(20,897)	82,794
<b>Basic and diluted loss per share</b>	(0.05)	(0.00)	(0.01)	(0.00)
	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
	Q3	Q2	Q1	Q4
<b>Revenue</b>	1,363,233	1,482,418	2,466,701	2,690,425
<b>Net loss</b>	(689,830)	(860,474)	(950,125)	(1,659,887)
<b>Comprehensive loss</b>	(530,121)	(1,132,090)	(949,078)	(1,667,012)
<b>Basic and diluted loss per share</b>	(0.01)	(0.01)	(0.01)	(0.02)

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- Revenue decreased by \$794,177 for the three months ended June 30, 2021 compared to the three months ended March 31, 2021. Net loss decreased from the prior quarter by \$8,421,339 as a result of the loss on digital currency assets in the period of \$4,686,205 as well as share-based compensation of \$1,772,410 related to option issued to officers, directors and employees.
- Revenue increased by \$567,529 for the three months ended March 31, 2021 compared to the three months ended December 31, 2020. Net loss decreased from the prior quarter by \$692,477 as a result of the increased revenue and gains on the sale of miners, offset by increases in general and administrative expenses.
- Revenue decreased by \$162,225 for the three months ended December 31, 2020 compared to the three months ended September 30, 2020. Net loss increased from the prior quarter by \$367,958 as a result of the decreased revenue and offset by gains in the prior quarter on recovery of bad debts and on the sale of bitcoins.
- Revenue increased by \$727,915 for the three months ended September 30, 2020 from the prior quarter. Net loss decreased by \$364,397 as compared to the period ended June 30, 2020. The Company subleased its office space in September 2020, decreasing general and administrative expenses. The Company also recognized a recovery of bad debt of \$210,601.
- Revenue was relatively consistent for the three months ended June 30, 2020 with the prior period. Net loss decreased by \$170,644 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 \$89,651.
- Revenue decreased by \$223,724 for the three months ended December 31, 2019 from the prior quarter. The decrease relates mainly to mining equipment hosting and set-up services as the Company focused efforts on the 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 decreased by \$836,648 mainly due to decreases in research costs related to the IBM Canada Ltd agreement.

## **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2021, the Company had working capital of \$60,358,977 (September 30, 2020: deficiency of \$2,307,706). The increase in working capital relates to an increase from financing proceeds and sales of digital currency.

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On March 5, 2021, the Company completed a financing for net proceeds of \$65,750,000 intended to be used as follows:

<b>Principal Purposes</b>	<b>Financing</b>	<b>Status of use of proceeds</b>
<u>Power, Infrastructure &amp; Servers<sup>(1)</sup></u> <ul style="list-style-type: none"> <li>• Servers</li> <li>• Immersion cooling upgrades (including fluid)</li> <li>• Additional racking and infrastructure</li> <li>• Containers for Bitcoin mining</li> <li>• Addition of solar panel power generation</li> <li>• Power deposit with utility provider</li> </ul>	\$33,500,000 \$5,000,000 \$3,000,000 \$2,500,000 \$3,000,000 \$2,000,000	Servers ordered Infrastructure under order Infrastructure under order To be constructed still Engineering review completed To be completed
<u>Sub-total</u>	<u>\$49,000,000</u>	
<u>Digital Assets<sup>(2)</sup></u> <ul style="list-style-type: none"> <li>• Bitcoin and/or other cryptocurrencies for Treasury</li> </ul>	\$2,500,000	BTC purchased
<u>Future Acquisitions / Partnerships - Data Centres<sup>(3)</sup></u> <ul style="list-style-type: none"> <li>• Acquisition/Partnership with other data centres</li> </ul>	\$5,000,000	Negotiations underway
<u>Software Development<sup>(4)</sup></u> <ul style="list-style-type: none"> <li>• Blockseer Pool &amp; Mine Manager Continued Development</li> <li>• Blockseer Pool expansion to hashrate contracting</li> <li>• Walletscore &amp; Blockseer Explorer</li> <li>• Walletscore data gathering</li> <li>• Secure Wallets</li> <li>• Other Cryptocurrency/Blockchain products or offerings</li> </ul>	\$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000	Underway, 1 <sup>st</sup> pool completed Scheduled for Q2,2022 Additional functionality underway Resources hired and project started Project under way for Q4 launch Focused on Petra, Q1 2022
<u>Sub-total</u>	<u>\$6,000,000</u>	
<u>Future Acquisitions / Partnerships - Software<sup>(5)</sup></u> <ul style="list-style-type: none"> <li>• Acquisition/Partnership with other Cryptocurrency/Blockchain companies or assets</li> </ul>	\$1,500,000	One project already invested in, soon to be announce, three more in due diligence currently
<u>Marketing &amp; Sales<sup>(6)</sup></u> <ul style="list-style-type: none"> <li>• Marketing, outbound sales, public relations &amp; investor relations</li> </ul>	\$750,000	Hiring of CoreIR, onboarding of new marketing employees, participation in multiple new events
<u>Working Capital and General Corporate Purposes<sup>(7)</sup></u> <ul style="list-style-type: none"> <li>• Working Capital</li> </ul>	\$1,000,000	
<b>TOTAL:</b>	<b>\$65,750,000</b>	

**Notes:**

(1) The Company expects that it will use an aggregate of approximately \$49 million of the Offering proceeds for power and infrastructure upgrades and the purchase of Bitcoin mining servers. The Company intends to use such funds to advance, upgrade and expand the Christina Lake Facility as follows:

(i) Purchase of Bitcoin mining servers. The Company intends to complete one or more purchases of Bitcoin mining servers over the course of 2021 based on availability and pricing of the Bitcoin mining servers and the timing for delivery. The total cost is anticipated to be approximately \$33,500,000. The Company expects COVID-19 to affect the availability and timing of mining

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equipment. If additional mining equipment is purchased for the Christina Lake Facility, the Company expects longer than normal delivery times.

- (ii) Upgrades to and expansion of the Christina Lake Facility. The Company intends to retrofit the Christina Lake Facility with immersion cooling upgrades, with the first 30 megawatts (“MW”) expected to be completed in the first half of 2021 and the next 30 MW to be completed by the end of 2021. The Company also intends to retrofit the Christina Lake Facility with additional racking and infrastructure related to power and Bitcoin mining, including the addition of solar panel power generation to provide greener and cleaner energy. The Company also plans to build containers to be placed outside of the Christina Lake Facility (but on the property) to be used for Bitcoin mining. The total cost is anticipated to be approximately \$15,000,000.
- (2) Increasing long-term Bitcoin investment holdings and/or other cryptocurrencies. The Company expects to purchase Bitcoin and/or other cryptocurrencies to own and hold on its balance sheet. The purchase of cryptocurrencies will be based on market conditions and pricing and may be purchased periodically in various amounts. The Company intends to allocate approximately \$2,500,000 for this purpose.
- (3) Future Acquisitions / Partnerships - Data Centres. The Company intends to use approximately \$5 million of the net proceeds of the Offering to fund potential future acquisitions or partnerships to acquire, lease or joint-venture on other facilities (data centres) for further Bitcoin mining. In doing so, the Company intends to actively seek potential acquisitions on an ongoing basis.
- (4) Software Development. The Company intends to use approximately \$6 million of the net proceeds of the Offering to fund software development on: (i) Blockseer Pool’s and Mine Manager’s continued development; (ii) Blockseer Pool’s expansion to hashrate contracting; (iii) Walletscore and Blockseer Explorer; (iv) Walletscore data gathering; (v) secure wallets; and (vi) other cryptocurrency and blockchain products and services. The total cost is anticipated to be approximately \$6,000,000. Project costs are expected to consist of managing outsourced organizations, insourcing certain relationships and project management expenses.
- (5) Future Acquisitions / Partnerships – Software. The Company intends to use approximately \$1.5 million of the net proceeds of the Offering to fund potential future acquisitions or partnerships with other cryptocurrency and blockchain companies. In doing so, the Company intends to actively seek potential acquisitions of companies or assets on an ongoing basis.
- (6) Marketing & Sales. The Company intends to expand its marketing and sales activities for the Company’s products and services including online advertisements, along with social media and paid Google ads, with an intention to increase search engine optimization, outbound sales initiatives, and retaining investor relations firms. The total cost is anticipated to be approximately \$750,000.
- (7) Working Capital / General Corporate. The Company intends to allocate the remaining net proceeds for working capital, general corporate purposes, and unallocated working capital. The total cost is anticipated to be approximately \$1,000,000.

Management of the Company will retain broad discretion in allocating the net proceeds of any offering of Securities under the Prospectus and the Company’s actual use of the net proceeds will vary depending on its operating and capital needs from time to time. There may be circumstances where, for sound business reasons, a reallocation may be deemed prudent or necessary.

The Company generates limited cash flow from current operations. To the extent that the Company has negative operating cash flow in future periods, it will be necessary for the Company to raise additional equity or debt. There is no assurance that additional equity or debt will be available to the Company or on terms acceptable or favourable to the Company.

### **Significant Events, Milestones or Objectives**

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

- Further to Note 1 to the table above, the Company will continue to upgrade and expand the Christina Lake Facility and purchase additional Bitcoin mining servers. The full upgrade and expansion of the Christina Lake Facility and the purchase of Bitcoin mining servers is expected to occur over the course of 2021-2 and to be completed by July, 2022.
- Further to Note 2 to the table above, DMG expects to increase long-term Bitcoin investment holdings and/or other cryptocurrencies. The purchase of cryptocurrencies will be based on

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market conditions and pricing and may be purchased periodically in various amounts throughout 2021. As of March 31, 2021, the Company had invested \$14,967,000 in the purchase of Bitcoin for long term investment holdings.

- Further to Notes 3 and 5 to the table above, the Company intends to continue to execute on its acquisition strategy. The Company intends to continue selectively pursuing strategic acquisitions to either enhance the Company's profitability or expand the Company's client base and product offerings. In addition, the Company intends to acquire or partner on additional data centres. As of the date of this MD&A, the Company is evaluating a number of possible transactions.
- Further to Note 4 to the table above, the Company will continue to develop its tools, through software engineering and research and development activities, to meet both the current and anticipated needs of its customers, adding additional capabilities, and providing these at a reasonable price-point that allows the Company to be highly competitive.
- Further to Note 6 to the table above, the Company intends to increase its sales and marketing both through online marketing (website traffic and social media engagement) and through outbound sales by employees or consultants. The Company also intends to retain an investor relations firm.

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

## **SHARE CAPITAL ACTIVITY**

### *Share capital activity for 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%.

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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.

*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%.

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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.

**OUTSTANDING SHARE DATA**

As at the date of this document, the Company had 166,837,002 common shares issued and outstanding, 8,889,464 stock options issued and outstanding, and 37,666,818 share purchase warrants issued and outstanding.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****(a) Fair values of financial instruments measured at fair value on a recurring basis.**

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

September 30, 2020

Cash	(i) \$	1,073,838	\$	- \$	- \$	1,073,838
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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:

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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.

*Market Risk*

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

*Interest Rate Risk*

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

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*Foreign Currency Risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments 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. 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.

**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 relating to key management and entities over which key management have control or significant influence were as follows:

	For the quarter ended	
	June 30, 2021	June 30, 2020
Dan Reitzik, Former Chief Executive Officer, Former Director	\$ 585,421	\$ 305,024
Sheldon Bennett, Chief Executive Officer, Director	964,073	300,192
Adrian Glover, Chief Technology Officer, Director	592,735	-
Midland Management Ltd. <sup>1</sup>	24,242	10,356
Nick Seto, Director	123,600	5,181
Justin Rasekh, Director	145,300	28,181
Jenya Bennett, related to CEO	456,528	62,638
Steve Eliscu, Director	200,540	-
Danny Yang, former Chief Technology Officer, former Director	-	247,152
<b>Total</b>	<b>\$ 3,092,439</b>	<b>\$ 958,724</b>

<sup>1</sup>Midland Management Ltd. is an entity controlled by Ryan Cheung, the Chief Financial Officer

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(b) Related party balances

As at June 30, 2021, \$267,212 (September 30, 2020 – \$543,309) was owed to key management for outstanding salaries, wages and benefits, and consulting services.

The following table summaries amounts due to related parties:

	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Dan Reitzik, Former Chief Executive Officer, Former Director	\$ -	\$ 248,827
Sheldon Bennett, Chief Executive Officer, Director	214,319	291,818
Adrian Glover, Chief Technology Officer, Director	17,558	1,538
Jenya Bennett, related to CEO	16,435	4,127
Midland Management Ltd.	18,900	-
<b>Total</b>	<b>\$ 267,212</b>	<b>\$ 543,309</b>

As at June 30, 2021, \$10,000 (September 30, 2020 - \$10,000) was owed from the former CEO, Dan Reitzik to the Company for the prepayment of reimbursement of expenses and is included in amounts receivables.

**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.

**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.

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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.

*Safeguarding of Digital Currency*

DMG employs single signature offline hardware security modules (HSM) as its method of storing cryptocurrency assets. Those HSM's are stored in a safety deposit box at DMG's financial institution. Backup of the HSM is stored with the HSM in case of hardware failure, and a copy of the backup is stored at a safety deposit box at a secondary financial institution.

Cyber security risk mitigation includes the regular scanning of the laptop that is used for transactions with antivirus and antimalware software, as well as a verification of all transactions using the HSM screen.

**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.

**Market Risk for Securities**

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

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**Uninsured or Uninsurable Risk**

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

**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.

**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.

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**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 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.

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**OTHER INFORMATION**

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