



DMG Blockchain Solutions Reports Financial Results For Its Fourth Quarter and Full Year Ending September 30, 2023

News Release - Vancouver, British Columbia, December 21, 2023 - DMG Blockchain Solutions Inc. (TSX-V: DMGI) (OTCQB US: DMGGF) (FRANKFURT: 6AX) ("DMG"), a vertically integrated blockchain and cryptocurrency technology company, today announces its fourth quarter 2023 and full year ending September 30, 2023 audited financial results. All financial references are in Canadian Dollars unless specified otherwise.

Recent Highlights

- For full year 2023, DMG financial results were \$27.9 million revenue, \$16.5 million net loss (-\$0.10 per share), \$4.9 million positive operating cash flow
- DMG mined 878 bitcoin in 2023, up 12% from the prior year
- Strong balance sheet at financial year-end with \$18.9 million in cash and digital currency, \$82.6M of total assets
- Signed agreement with Bitmain Technologies to purchase its T21 bitcoin miners for up to 1 EH/s of new hashrate with expected shipment in the March 2024 quarter

DMG's CEO, Sheldon Bennett commented, "While our financial year 2023 was filled with challenges for DMG and the cryptocurrency industry at large, we are encouraged by recent developments with the price of bitcoin up more than 2.5x from a year ago today, new Bitcoin blockchain use cases rapidly developing with the advent of Ordinals, BRC-20 and Runes as well as the potential approvals of spot Bitcoin ETFs in the US. We believe this emerging landscape creates an extraordinary opportunity for DMG in the future."

Readers are encouraged to review the Company's September 30, 2023 year-ended audited financial statements and management's discussion and analysis thereof for a fulsome assessment of the Company's performance and applicable risk factors, available at www.sedarplus.ca.

Financial Highlights

Revenue for the financial year ending September 30, 2023 was \$27.9 million versus \$43.2 million in the prior year period, a decrease of 35%, primarily due to a 32% decrease in the average price of bitcoin over the same period.

Revenue for the fourth quarter ending September 30, 2023 was \$5.6 million versus \$7.5 million in the prior quarter, a sequential decrease of 25%, and \$6.5 million in the prior year period. The decline in revenues from the prior quarter was largely due to the Company's 26% decrease in bitcoin production.

Income before other items for the year ending September 30, 2023 was negative \$18.6 million versus positive \$1.5 million in the prior year period.

Operating and maintenance costs for the year ended September 30, 2023 were \$16.8 million as compared to \$13.0 million for the year ended September 30, 2022. This increase was the result of a \$3.4 million increase in utilities cost, driven by expanded digital currency mining operations. Operating and maintenance costs for the three months ended September 30, 2023 were \$3.6 million as compared to \$3.5 million in the same quarter in the prior year. The increase is a result of increases in utilities costs of \$143 thousand, which

is due to the increase in digital currency mining activity and the net increase in miners throughout the period.

Net loss for the year ending September 30, 2023 was \$16.5 million, versus \$17.0 million in the prior year period. Declines in revenue of \$15.3 million as well as an increase in depreciation of \$2.1 million and an increase in operating and maintenance costs of \$3.8 million, partially offset by stock-based compensation, which declined by \$1.3 million and research expense, which declined by \$0.4 million. The decline in stock-based compensation was due to a lower weighted average grant date fair value of options issued. Lower research expenses were the result of a reduction in subscription costs, partially offset by higher wage expenses.

Earnings per share for the financial year ending September 30, 2023 was -\$0.10 versus -\$0.10 in the prior year period.

As at September 30, 2023, the Company had cash of \$1.8 million, digital currency of \$17.1 million and total assets of \$82.6 million. For more details, please refer to the [Company's filings](#).

DMG Blockchain Solutions Inc. Fourth Quarter and Full Year 2023 Financial Results and Corporate Update Call

The Company also announces that it will host a conference call to review fourth quarter 2023 financial results and provide a corporate update on December 21, 2023, at 4:30 PM ET. Participants are asked to pre-register for the call through this [link](#). Registered participants will receive a Financial Results and Corporate Update Call weblink and dial-in information in their confirmation email.

As there will be no live Q&A session, management will address pre-submitted questions during the call. Those wishing to submit a question may do so via investors@dmgblockchain.com using the subject line 'Conference Call Question Submission' through 2:00 pm ET on December 21, 2023.

Grant of Stock Options

DMG also announces it has granted 1,167,770 stock options ("Options") to employees and directors of the Company. The Options are exercisable for a period of five years at a price of \$0.53 per share and will vest as to 25% on each of the six-, 12-, 18- and 24-month anniversaries of the grant date.

About DMG Blockchain Solutions Inc.

DMG is an environmentally friendly vertically integrated blockchain and cryptocurrency company that manages, operates, and develops end-to-end digital solutions to monetize the blockchain ecosystem. DMG's sustainable businesses are segmented into two business lines under the Core and Core+ strategies and unified through DMG's vertical integration.

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

For more information on DMG Blockchain Solutions visit: www.dmgblockchain.com
Follow @dmgblockchain on Twitter and subscribe to DMG's YouTube channel.

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Cautionary Note Regarding Forward-Looking Information

This news release contains forward-looking information or statements based on current expectations. Forward-looking statements contained in this news release include the filing of year end results and hosting a conference call, the Company's strategy for growth, the expected delivery of the new miners and the expected increase in hashrate, the planned monetization of certain product and service offerings, developing and executing on the Company's products, services and business plans, the launch of products and services, events, courses of action, and the potential of the Company's technology and operations, among others, are all forward-looking information.

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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, market and other conditions, volatility in the trading price of the common shares of the Company, 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 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 secure sufficient capital to complete its business plans, 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. The securities of DMG are considered highly speculative due to the nature of DMG's business. For further information concerning these and other risks and uncertainties, refer to the Company's filings on www.sedarplus.ca. In addition, DMG's past financial performance may not be a reliable indicator of future performance.

Factors that could cause 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, delays in the shipment of equipment, failure to obtain any permits required to operate the business, the impact of technology changes on the industry, the impact of Covid-19 or other viruses and diseases on the Company's ability to operate, secure equipment, and hire personnel, 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, adverse weather or climate events, increase in operating costs, increase in equipment and labor costs, decrease in the price of Bitcoin, 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 news release 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 news release are made as of the

date of this news release. 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.

DMG Blockchain Solutions Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except for number of shares)

| | For the years ended September 30, | |
|--|-----------------------------------|---------------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Revenue | 27,940,995 | 43,236,152 |
| Expenses | | |
| Operating and maintenance costs | 16,797,262 | 13,033,028 |
| General and administrative | 3,729,643 | 3,447,690 |
| Stock-based compensation | 1,804,551 | 3,077,100 |
| Research | 1,951,868 | 2,364,513 |
| Bad debt expense (recovery) | 343,082 | (32,039) |
| Depreciation | 21,902,282 | 19,782,363 |
| Amortization of intangible assets | - | 42,388 |
| Total expenses | 46,528,688 | 41,715,043 |
| Operating (loss) income before other items | (18,587,693) | 1,521,109 |
| Other income (expense) | | |
| Interest and other income | 506,610 | 111,243 |
| Gain on disposition of assets | 70,429 | 1,179,949 |
| Foreign exchange (loss) gain | (118,566) | 149,798 |
| Gain on write-down of accounts payable | - | 2,050,827 |
| Loss on settlement of legal claims | - | (30,000) |
| Impairment of non-current assets | (102,735) | (39,134) |
| Loss on modification of amounts recoverable | (692,859) | - |
| Impairment of amounts recoverable | - | (1,302,049) |
| Decline in fair value of investments | (202,725) | (5,782,825) |
| Provision of sales tax receivable | (1,805,343) | - |
| Unrealized revaluation gain(loss) on digital currency | 4,301,472 | (11,528,632) |
| Realized gain (loss) on sale of digital currency | 183,954 | (2,220,167) |
| Loss on change in fair value of marketable securities | (14,558) | (1,085,073) |
| Net loss | (16,461,728) | (16,975,396) |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to income or loss: | | |
| Revaluation gain (loss) on digital assets | 19,465 | (89,352) |
| Cumulative translation adjustment | 7,955 | 1,474 |
| Net loss and comprehensive loss | (16,434,307) | (17,063,274) |
| Basic and diluted loss per share | (\$0.10) | (\$0.10) |
| Weighted average number of shares outstanding | | |
| - basic and diluted | 167,709,852 | 167,180,278 |

DMG Blockchain Solutions Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at September 30, 2023 | As at September 30, 2022 |
|---|--------------------------------|--------------------------------|
| ASSETS | \$ | \$ |
| Current | | |
| Cash and cash equivalents | 1,789,913 | 1,247,513 |
| Amounts receivable | 2,476,679 | 6,320,533 |
| Digital currency | 17,142,683 | 9,319,790 |
| Prepaid expense and other current assets | 193,512 | 258,289 |
| Current portion of lease receivable | - | 36,883 |
| Marketable securities | 386,984 | 401,542 |
| Assets held for sale | 3,451,024 | - |
| Total current assets | 25,440,795 | 17,584,550 |
| Long-term deposits | 3,256,324 | 14,526,569 |
| Property and equipment | 47,398,585 | 58,083,429 |
| Long-term investments | 45,000 | 75,000 |
| Amount recoverable | 6,446,251 | 6,632,501 |
| Total assets | 82,586,955 | 96,902,049 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Trade and other payables | 4,178,104 | 4,854,517 |
| Deferred revenue | 64,361 | 103,678 |
| Current portion of lease liability | 50,555 | 131,612 |
| Current portion of loans payable | 1,272,397 | 291,881 |
| Total current liabilities | 5,565,417 | 5,381,688 |
| Long-term lease liability | 41,202 | 92,809 |
| Total liabilities | 5,606,619 | 5,474,497 |
| Shareholders' Equity | | |
| Share capital | 110,820,540 | 110,381,441 |
| Reserves | 45,507,272 | 43,959,280 |
| Accumulated other comprehensive income | 149,044 | 121,623 |
| Accumulated deficit | (79,496,520) | (63,034,792) |
| Total shareholders' equity | 76,980,336 | 91,427,552 |
| Total liabilities and shareholders' equity | 82,586,955 | 96,902,049 |

DMG Blockchain Solutions Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| For the years ended September 30, | 2023 | 2022 |
|--|---------------------|---------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Net loss for the period | (16,461,728) | (16,975,396) |
| Non-cash items: | | |
| Accretion | 52,570 | 15,843 |
| Amortization of intangible assets | - | 42,388 |
| Depreciation | 21,902,282 | 19,782,363 |
| Share-based payments | 1,804,551 | 3,077,100 |
| Unrealized loss(gain) on revaluation of digital currency | (4,350,308) | 11,528,632 |
| Unrealized foreign exchange loss (gain) | 121,576 | (149,212) |
| Gain on sale of assets | (70,429) | (1,179,949) |
| Gain on write-down of accounts payable | - | (2,050,827) |
| Unrealized loss on marketable securities | 14,558 | 1,085,073 |
| Impairment of non-current assets | 102,735 | 39,134 |
| Impairment of amounts recoverable | - | 1,302,050 |
| Impairment of investment | 202,725 | 5,782,825 |
| Provision for sales tax receivable | 1,805,343 | - |
| Bad debt expense (recovery) | 343,082 | (32,039) |
| Digital currency related revenue | (26,356,393) | (37,820,728) |
| Digital currency sold | 23,087,300 | 32,686,625 |
| Realized (gain) loss on sale of digital currency | (183,954) | 2,220,167 |
| Digital currency purchased | - | (93,664) |
| Non-cash interest income | (600,471) | (115,475) |
| Accrued interest | (129) | (4,292) |
| Loss on amount recoverable modification | 692,859 | - |
| Changes in non-cash operating working capital: | | |
| Prepaid expenses and other current assets | 45,973 | 143,644 |
| Amounts receivable | 1,732,308 | (4,158,741) |
| Amounts recoverable | (9,442) | - |
| Deferred revenue | (39,317) | (1,047,818) |
| Trade and other payables | 1,031,284 | 1,107,980 |
| Net cash provided by operating activities | 4,866,975 | 15,185,683 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (1,788,257) | (2,646,248) |
| Deposits on mining equipment | (3,354,595) | (34,857,051) |
| Purchase of short-term investment | (202,725) | - |
| Proceeds on sale of equipment | 4,829 | 3,855,776 |
| Refund of security deposit | - | 1,000 |
| Proceeds from sublease | 37,012 | 146,595 |
| Net cash used in investing activities | (5,303,736) | (33,499,928) |

DMG Blockchain Solutions Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| For the years ended September 30, | 2023 | 2022 |
|--|------------------|---------------------|
| | \$ | \$ |
| FINANCING ACTIVITIES | | |
| Proceeds from option exercises | 182,540 | 44,000 |
| Proceeds from warrant exercise | - | 55,000 |
| Principal lease payments | (152,996) | (224,717) |
| Proceeds from secure loan | 950,665 | - |
| Net cash provided by (used in) financing activities | 980,209 | (125,717) |
| Impact of currency translation on cash and cash equivalents | (1,049) | 698 |
| Cash and cash equivalents, change | 542,400 | (18,439,264) |
| Cash and cash equivalents, beginning | 1,247,513 | 19,686,777 |
| Cash and cash equivalents, end | 1,789,913 | 1,247,513 |