

DMG BLOCKCHAIN SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED JUNE 30, 2023

(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, 2023. 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 Company's condensed interim consolidated financial statements dated June 30, 2023, which contains the condensed interim consolidated financial statements for the Company's three and nine months ended June 30, 2023 and 2022, year end and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the financial statements referred to in this MD&A and provides officers disclosure certifications filed on SEDAR. The Audit Committee reviews the financial statements and MD&A and recommends approval to the Company's Board of Directors.

This MD&A is current as at August 29, 2023.

DESCRIPTION OF THE BUSINESS

DMG Blockchain Solutions Inc. is an environmentally friendly, vertically integrated blockchain and cryptocurrency company that mines bitcoin, develops, operates and manages end-to-end digital solutions to monetize the blockchain ecosystem. Focusing on the Company's strategy and vision for blockchain technology, it strives to increase the value from all its assets from its substation in British Columbia to its Blockseer software platforms and the continued strategic investments we have made and continue to make. The business lines are referred to as Core (data centre operations) and Core+ (software and services).

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 its 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 foundation 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 it operates. 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-cooled infrastructure to immersion cooling. Immersion cooling is an operational leap forward, as it allows for 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 hashrates and energy consumption between air and immersion cooling systems. DMG's retrofitting objective is to reduce energy consumption for the amount of computational hashrate we manage. In May 2023, DMG purchased the first set of long lead-time equipment that can provide up to 12 megawatts of immersion cooling capacity.

Due to the success of Christina Lake's operations, DMG is investigating additional sites. DMG has entered into discussions with multiple parties, as we believe that based on our expertise and our supply chain capabilities, we can move quickly to establish new low-cost sites. On May 15, 2023, DMG announced it has entered into a non-binding agreement that would result in development of a new data processing center site with access to low-cost renewable energy located in Canada in a province outside of British Columbia.

The Company continues to be actively focused on cash and crypto asset generation and conservation. Capital expenditures are carefully reviewed for enabling new revenue and potential efficiencies while Research and Development funds are allocated to furthering the Company's Core+ initiatives as detailed below.

DMG's Core+

Blockseer's Platforms

In early 2018, DMG acquired Datient Inc., a Silicon Valley-based technology company with a mixture of data scientists and intellectual property that had created the Blockseer brand name with its first product, Blockseer Explorer, which was an analytics tool that enables tracking of cryptocurrency – bitcoin initially and then transactions on both the Bitcoin and Ethereum blockchains. DMG has since continued to develop this technology. After the acquisition of Datient, DMG invested to develop Walletscore, building on the value of Blockseer's data. Now we are continuing the development of the Blockseer platform focused on two distinct crypto categories: Safety & Security and Regulatory & Compliance. Various types of software revenue are anticipated from Core+ products and initiatives and will be generated through both transaction monetization and software licensing arrangements.

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. Walletscore's technology is the basis for filtering out nefarious transactions if requested from the Blockseer pools managed by the Company.

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Helm (Mine Manager): Launched in 2018, this platform assists in operating successful industrial bitcoin mining facilities by driving efficiencies to minimize power consumption and maximize uptime. This real-time platform monitors key metrics, including temperature, humidity, individual and pooled hashrates, allowing any mining facility's staff to make real-time adjustments and repairs. DMG has the ability to license this software to other industrial miners.

Terra Pool (formerly Blockseer Mining Pool): Launched in 2020, this platform is a North American based cryptocurrency mining pool dedicated to decentralizing the Bitcoin network hashrate and providing more transparency in the Bitcoin mining industry. As an integral part of DMG's ecosystem, Terra Pool integrates with DMG's existing crypto platforms, Walletscore (real-time compliance) and Helm (industrial level crypto mine management) to provide miners with not only quality operations data but also a new standard in mining compliance and governance. DMG offers the front-end of Helm to Terra Pool members so they can monitor their miners and has the ability to license the full version of this software to other industrial miners.

Depending on counterparty agreements, Terra Pool can currently operate on both Pay-Per-Last-N-Shares (PPLNS) and Full-Pay-Per-Share (FPPS), which are the two main approaches (along with variations) used by pools by which pool members are paid for selling or contributing their hashrate.

With PPLNS, Terra Pool members share in the risk and reward based upon the number of blocks mined by the pool. In this way, members are paid for their hashrate contribution as a percentage of the total Terra Pool hashrate within a defined period to determine their share of the pool's actual block rewards, less a pool operator fee. Whereas, with FPPS, Terra Pool will purchase the computing power (hashrate) of its pool members, paying them for their services based upon a formula that is a function of their hashrate contribution. To determine the expected block reward, as transaction fees can significantly vary, the payout formula is based on the average block reward over a specific prior 24-hour period. That number is multiplied by the member's average hashrate during that period and the expected network payout per amount of hashrate. From the total, the formula may deduct an amount for Terra Pool operator fees. Any block reward (block subsidy plus transaction fees) for blocks successfully mined by Terra Pool are earned by Terra Pool and added to its designated bitcoin wallets. With FPPS, Terra Pool takes on the financial risk of mining a block and receiving the block reward.

Blockseer Petra: The Company launched Petra in February 2023 on the Bitcoin mainnet. Petra is a business-to-business software integration geared for financial institutions and exchanges to interact with DMG's compliance and regulatory software framework. We believe Petra will allow regulated financial institutions new options to become more directly involved with bitcoin.

In addition, Petra has opened a new revenue source with ordinal inscriptions. Ordinals is a recently developed protocol that aims to create Bitcoin-native digital artifacts called "inscriptions," which are assigned to individual satoshis (i.e., 0.00000001 bitcoin, which is the atomic unit of the bitcoin currency) and imbued with certain non-fungible characteristics commonly found in traditional NFTs (non-fungible tokens). Ordinals as they are currently being implemented were enabled by the November 2021 Taproot Bitcoin soft fork and subsequent development of Ordinals protocol launched on the Bitcoin mainnet in January 2023.

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As there are in existence nearly two quadrillion satoshis, each of which can be potentially inscribed, Ordinals provide a significant opportunity to utilize the Bitcoin blockchain for attaching digital artifacts, which include not only artwork but potentially a larger opportunity for immutable digital representations of unique assets.

DMG has performed several ordinal inscriptions using its Petra technology and has received revenue for services above the market rate at that time for transaction fees, some of which have been paid to DMG off-chain (i.e., fees paid in addition to the fee in the transaction that contains the ordinal inscription). DMG has also paid third parties for their services to source ordinal inscriptions. Clients have sought out the services of DMG because by utilizing Petra and Terra Pool, ordinal file sizes can be larger than the current network limitation of 0.4 megabytes (which are called large ordinals and can be up to 4 megabytes) and are inscribed in a carbon neutral manner. It is appealing to many artists, who are already using less secure, but low-carbon intensity blockchains such as Ethereum, to instead utilize the Bitcoin blockchain and these artists can now work with DMG to have both greater assurance of the immutability of their inscriptions (without the 0.4 megabyte limitation) and not add carbon in the inscription process. DMG (on Terra Pool) believes it is currently the only company that can inscribe large ordinals in a carbon neutral manner.

There may be other revenue opportunities related to ordinals inscriptions based on the type of satoshi (“sat”) – an “uncommon sat” is the first satoshi in a block; a “rare sat” is the first satoshi in a block after a change in Bitcoin network difficulty (once every 2016 blocks as defined by the Bitcoin protocol). These and other sats, which may be valuable to collectors, could expand DMG’s revenue opportunity with respect to ordinal inscriptions. DMG plans to create in Q4 2023 an inventory of uncommon and potentially other collectible sats, which it may be able to sell either individually or in combination with ordinals inscribed through Terra Pool.

DMG believes it may be the only company that is both creating bitcoin as a crypto miner (Core) and then monetizing bitcoin transactions after creation on a recurring basis through its Blockseer platforms (Core+) catered to the financial services and other industries.

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 crypto exchanges, law enforcement agencies and industry participants. With the data gathered, user interaction and labelling, together with our proprietary artificial intelligence algorithms, Explorer has been an essential blockchain investigative tool. Explorer is the basis for much of the functionality of Walletscore and its ability to provide filtering of nefarious transactions for crypto pools. The Company uses the software internally.

Blockseer Exchange: The Company has created a portal for the Bosonic Network. Bosonic is a pioneer of decentralized Financial Market Infrastructure (dFMI) technology, which eliminates counterparty risk, as digital assets are held only at qualified custodians, not the exchanges. DMG offers Terra Pool members access to Bosonic’s platform.

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Blockseer Freeze: This software product 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. This software is in development and is not yet ready for general release.

Blockseer Breeze: This software wallet product has been successfully tested on Terra Pool, resulting in it being implemented for use to equitably distribute to its members earned rewards from hashrate sold to Terra Pool. DMG has recently built upon its Breeze wallet implementation to launch a new product called Multi-Breeze, enabling the capability for content creators to post collections of digital artwork utilizing the Ordinals protocol to the Bitcoin blockchain, then transfer ownership of individual artwork pieces to new owners, enabling per ordinal rights transfer. Upon payment for inscription services of a collection of ordinals, DMG would transfer the Multi-Breeze wallet private key (i.e. ownership) to the content creator, who in turn would digitally sign each ordinal content sale transaction as they found buyers. Recipients of content from subsequent sales can still show provenance of their art back to the original block. DMG first deployed Multi-Breeze in April 2023 and plans to continue to develop the technology.

Bitcoin Market Trends

For the quarter ending June 30, 2023, bitcoin price increased 22% (quarter average, Q3 2023 vs prior quarter average, Q2 2023) to \$37,669. Concurrently, the Bitcoin network hashrate and difficulty increased by 19% and 24% to 358 EH/s and 49.5 trillion (difficulty units) respectively, resulting in sequentially relatively unchanged profitability of mining for the industry as a whole. These fluctuations in bitcoin price are common, and entities within the space need to be well-prepared to weather the volatility of bitcoin to thrive.

For the quarter ending June 30, 2023, bitcoin price declined 9% (quarter average vs prior year quarter average) from \$41,410. Concurrently, the Bitcoin network hashrate and difficulty increased by 67% (quarter average vs prior year quarter average) from 214 EH/s and 29.7 trillion respectively.

The Jacobo FT Wilshire Bitcoin ETF was listed on the Euronext Amsterdam exchange on August 16, 2023, representing the first spot bitcoin ETF listed in Europe. The U.S. Securities and Exchange Commission (SEC) is considering applications from several firms to create a U.S.-listed spot bitcoin ETF. These include some of the largest U.S. finance firms such as Blackrock, VanEck, Fidelity and Invesco. Management is hopeful that the first spot bitcoin ETF(s) will be approved and listed in the U.S. in the near future and that this listing will improve accessibility to, and market sentiment on bitcoin, attracting new investors to a maturing market and, potentially, having a positive impact on bitcoin price.

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

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QUARTERLY HIGHLIGHTS

- During the nine months ended June 30, 2023, the Company received in its wallets from mining activity 733.34 bitcoin and ended the period with a balance of 508.50 bitcoin. The production of bitcoin significantly ramped up during the last fiscal year and continued into the first quarter of the current fiscal period as the Company continues to receive and install additional miners. During the nine months ended June 30, 2023, the Company has installed 1,565 miners for a total of 9,581 installed miners.

OVERALL PERFORMANCE

The Company's revenue decreased from the same quarter in the prior period by \$3,034,058 and saw a net loss of \$4,273,532 in comparison to a net loss of \$12,232,725 from the same quarter in the prior period. The decrease in revenue is attributable to decreases in digital currency mining revenues attributable to the decline in price of bitcoin as compared to the same period in the prior year, despite additions of new mining equipment received throughout the quarter and the previous 12 months. The Company continues to be focused on self-mining and development of software in the form of pools and technologies that monetize bitcoin transactions.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2023

Revenue for the three months ended June 30, 2023, was \$7,495,257, a decrease of \$3,034,058 as compared to the three months ended June 30, 2022. Digital currency mining revenue decreased by \$1,503,467 and mining equipment hosting decreased by \$665,527. During the last fiscal year, the Company decreased the number of hosting clients in order to make room for its self-mining; as such, the revenue associated with hosting client mining has decreased. The Company mined 195.71 bitcoin during the three months ended June 30, 2023, in comparison to 212.46 during the three months ended June 30, 2022. Overall hashrate production increased as a result of an additional 5,152 miners in conjunction with miners received during the last fiscal year and a further 1,565 received during the current period. However, the decrease in bitcoin price of 9% as compared to the same period in fiscal 2022 resulted in the decrease in revenue from digital currency mining. The Company had net pool revenue of (\$294,672) from Terra Pool, whereby the digital currency received from purchase of hashrate was less than the digital currency paid out to pool participants under the FFPS model of 8.08 bitcoin. It is a reasonable assumption based on how the Bitcoin protocol operates that over time, for a given amount of hashrate, the amount of digital currency received from mining and the amount paid out under FFPS (excluding the amount deducted for fees) will be the same over time. The Company recorded \$Nil of software revenue related mainly to its Terra Pool licensing (2022 – \$414,960). Services relating to the Company's software agreement with a key customer have been on hold during the period. While the software is still active, the revenue from this contract is not expected to recur. Future software revenue would be generated through other Core+ products and initiatives.

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Operating and maintenance costs for the three months ended June 30, 2023, was \$4,156,305 as compared to \$3,568,493 for the three months ended June 30, 2022. The majority of this is due to an increase of \$482,364 in utilities costs, which is related to the increase in digital currency mining activity compared to the prior period. There were 9,581 miners installed as at June 30, 2023 as compared to 7,272 miners installed as at June 30, 2022.

General and administrative costs for the three months ended June 30, 2023, was \$875,197 in comparison to \$930,172 for the three months ended June 30, 2022. General and administrative costs consist mostly of wages, professional fees, and consulting fees. The overall decrease of \$54,975 is attributable to a decrease in professional fees of \$31,868 and regulatory and filing fees of \$40,907.

Stock-based compensation for the three months ended June 30, 2023, was \$544,966 compared to the prior period ended June 30, 2022, of \$574,419. The decrease in the year is due to a significant number of stock options issued in fiscal year 2021 fully vesting after the three months ended June 30, 2022, but prior to the three months ended June 30, 2023, resulting in no vesting expense for those respective options in the current period.

Research and development costs for the three months ended June 30, 2023, was \$480,815 compared to \$553,509 in the prior period. These costs include salaries and wages for work on software and subscription costs for servers related to software. Research in fiscal 2023 continues to be focused on software and relates to work on Helm, Terra Pool and Blockseer Petra.

Depreciation for the three months ended June 30, 2023, decreased from \$5,531,655 to \$5,334,219 as compared to the prior year. The decrease is related to the additional miners installed in the comparative period compared to the current period.

Nine Months Ended June 30, 2023

Revenue for the nine months ended June 30, 2023, was \$22,293,172, a decrease of \$14,502,465 as compared to the nine months ended June 30, 2022. Digital currency mining revenue decreased by \$9,976,926 and mining equipment hosting decreased by \$1,958,607. During the last fiscal year, the Company decreased the number of hosting clients in order to make room for its self-mining; as such, the revenue associated with hosting client mining has decreased. Digital currency mining decreased due to a decline in the price of bitcoin of 33.5%, and an increase in difficulty, despite an increase in mined bitcoin. The Company mined 733.34 bitcoin during the nine months ended June 30, 2023, in comparison to 591.54 during the nine months ended June 30, 2022. Overall hashrate production increased as a result of an additional 5,152 miners in conjunction with miners received during the last fiscal year and a further 1,565 received during the current period. The Company had net pool revenue of (\$1,033,619) from Terra Pool, whereby the digital currency received from purchase of hashrate was less than the digital currency paid out to pool participants under the FPPS model of 26.83 bitcoin. It is a reasonable assumption based on how the Bitcoin protocol operates that over time, for a given amount of hashrate, the amount of digital currency received from mining and the amount paid out under FFPS (excluding the amount deducted for fees) will be the same over time. The Company recorded \$68,935 of software revenue related mainly to its Terra Pool licensing (2022 – \$1,233,115). Services relating to the

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Company's software agreement with a key customer have been on hold during the period. While the software is still active, the revenue from this contract is not expected to be recurring. Management has prioritized developing revenue streams from other Core+ products and initiatives.

Operating and maintenance costs for the nine months ended June 30, 2023, was \$13,159,995 as compared to \$9,563,621 for the nine months ended June 30, 2022. The majority of this is due to an increase of \$3,303,061 in utilities costs which is related to the increase in digital currency mining activity compared to the prior period. There were 9,581 miners installed as at June 30, 2023, as compared to 7,272 miners installed as at June 30, 2022.

General and administrative costs for the nine months ended June 30, 2023, was \$2,600,075 in comparison to \$2,603,587 for the nine months ended June 30, 2022. General and administrative costs consist mostly of wages, professional fees, and consulting fees.

Stock-based compensation for the nine months ended June 30, 2023, was \$1,483,175 compared to the prior period ended June 30, 2022, of \$2,527,079. The decrease in the year is due to a significant number of stock options issued in fiscal year 2021 fully vesting after the nine months ended June 30, 2022, but prior to the nine months ended June 30, 2023, resulting in no vesting expense for those respective options in the current period.

Research and development costs for the nine months ended June 30, 2023, was \$1,411,919 compared to \$1,892,067 in the prior period. These costs include salaries and wages for work on software and subscription costs for servers related to software. Research in fiscal 2023 continues to be focused on software and relates to work on Helm, Terra Pool and Blockseer Petra.

Depreciation for the nine months ended June 30, 2023, increased from \$13,836,891 to \$17,279,768 as compared to the prior period ended June 30, 2022. The increase is related to the additional miners installed over the past fiscal year and the current period.

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| | June 30, 2023 | March 31, 2023 | December 31, 2022 | September 30, 2022 |
|---|----------------------|-----------------------|--------------------------|---------------------------|
| | Q3 | Q2 | Q1 | Q4 |
| Revenue | 7,495,257 | 7,623,323 | 7,174,592 | 6,547,846 |
| Bitcoin earned from mining¹ | 195.71 | 264.10 | 273.53 | 199.68 |
| Net income (loss) | (4,273,532) | (3,839,409) | (7,003,404) | (9,836,034) |
| Comprehensive income (loss) | (3,038,818) | 2,454,269 | (7,013,304) | (9,764,631) |
| Basic and diluted loss per share | (0.03) | (0.02) | (0.04) | (0.06) |
| | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
| | Q3 | Q2 | Q1 | Q4 |
| Revenue | 10,529,315 | 11,899,546 | 14,298,525 | 4,090,849 |
| Bitcoin earned from mining | 212.46 | 195.88 | 183.20 | 38.48 |
| Net loss | (12,232,725) | 56,466 | 5,036,897 | (184,348) |
| Comprehensive loss | (14,957,854) | 1,729,278 | 5,929,933 | (3,398,111) |
| Basic and diluted loss per share | (0.07) | 0.00 | 0.03 | (0.00) |

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, the Company had positive working capital of \$22,494,902 (September 30, 2022: \$12,202,862). The increase in working capital primarily relates to an increase in digital currencies of \$11,324,675, cash of \$531,897, and a decrease in trade and other payables of \$412,820, offset by a decrease in accounts receivable of \$2,074,614. In the nine months ended June 30, 2023, the Company collected a rebate on provincial sales tax of \$3,399,883 from the government of British Columbia.

The Company generated cash from operations for the nine months ended June 30, 2023, of \$3,444,953 as compared to cashflow used in operations of \$16,274,623 for the nine months ended June 30, 2022. The Company had decreases in digital currency mining revenue of \$11,019,900 compared to last period, offset by increases in depreciation of \$3,442,877. As at June 30, 2023, the Company had 508.50 bitcoin valued at \$20,533,185 and 45.34 ether valued at \$111,280.

To the extent that the Company has negative operating cash flow in future periods, it will be necessary for the Company to liquidate digital assets into cash or raise additional equity or debt. The Company does have significant price risk exposure related to its digital currency. There is no assurance that additional equity or debt will be available to the Company or on terms acceptable or favourable to the Company.

¹ Bitcoin earned from cryptocurrency mining is received by the Company at certain payout thresholds and may not reflect total amounts mined due to the timing of payouts.

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Significant Events, Milestones or Objectives

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

- The Company will continue to upgrade and expand the Christina Lake Facility and purchase additional Bitcoin mining servers using deposits made as at March 31, 2023. In April 2023, the Company announced the purchase of additional miners including 350 Bitmain S19 Pro (35 PH/s), 350 Bitmain S19 XP (49 PH/s) and 850 Bitmain S19j Pro+ (104 PH/s). For future expansion, the Company announced in March 2023 that it purchased air-cooled containers for placement outside its Christina Lake Facility building that in aggregate may support more than 40 megawatts of mining. The Company also intends to build out the infrastructure to deploy its first phase of immersion cooling technology.
- The Company will continue to develop its tools, through software engineering and research & development activities, to meet both the current and anticipated needs of its customers, adding new capabilities, and providing these at price-points that enable the Company to be highly competitive.
- The Company intends to increase its sales and marketing efforts of its Core+ initiatives both through online marketing (website traffic and social media engagement) and through outbound sales by employees or consultants.
- The Company continues to be actively focused on cash and crypto asset generation and conservation. Management is focused on tightly controlling expenditures and is actively reviewing and refining current outflows. The Company continues to strive towards a lean structure that is focused on achieving specific targeted objectives.

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, 2023

During the nine months ended June 30, 2023, the Company issued 425,000 common shares in connection with the exercise of stock options for proceeds of \$63,750. As a result, \$33,076 has been reclassified from share-based payment reserve to share capital.

OUTSTANDING SHARE DATA

As at the date of this document, the Company had 168,038,127 common shares issued and outstanding, 14,929,415 stock options issued and outstanding, and 36,474,014 share purchase warrants issued and outstanding.

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Subsequent to the period end, the Company issued 356,750 common shares related to the exercise of stock options for proceeds of \$117,728.

FINANCIAL INSTRUMENTS, DIGITAL CURRENCIES AND RISK MANAGEMENT**(a) Fair values of financial instruments and digital currencies 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 | |
| <hr/> | | | | |
| June 30, 2023 | | | | |
| Marketable securities | \$ 485,933 | \$ - | \$ - | \$ 485,933 |
| Digital currencies | \$ - | \$ 20,644,465 | \$ - | \$ 20,644,465 |
| Long-term investments | \$ - | \$ 45,000 | \$ - | \$ 45,000 |
| <hr/> | | | | |
| September 30, 2022 | | | | |
| Marketable securities | \$ 401,542 | \$ - | \$ - | \$ 401,542 |
| Digital currencies | \$ - | \$ 9,319,790 | \$ - | \$ 9,319,790 |
| Long-term investments | \$ - | \$ 75,000 | \$ - | \$ 75,000 |

The Company has determined the estimated fair value of its financial instruments and digital currencies, if any, based on appropriate valuation methodologies; however, considerable judgement is required to develop these estimates. The fair values of the Company's financial instruments and digital currencies, if any, are not materially different from their carrying values.

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Financial instruments and digital currencies 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).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's cash and marketable securities are categorized as Level 1. The long-term investments and convertible debentures in unlisted private companies are measured using Level 2 inputs based on prices in recent financings. Digital currencies are measured using Level 1 inputs where quoted prices in active markets are available. Digital currencies are measured using Level 2 inputs where the source represents an average of quoted prices on multiple digital currency exchanges. No financial instruments or digital currencies have been transferred between levels during the year.

b) Management of Industry and Financial Risk

The Company's financial instruments and digital currencies are exposed to certain financial risks, which include the following:

Digital Currency Risk

The Company relies on transaction validation services using equipment to earn digital currency. A decline in the market prices of digital currencies could negatively impact the profitability of equipment. The digital asset mining industry has seen rapid growth and innovation, and the Company may be unable to compete effectively. Innovation in technologies could render the Company's technology obsolete.

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 digital currencies. The Company may not be able liquidate its digital currencies at its desired price if required. Digital currencies have a limited history, their fair values have historically been volatile, and the value of digital currencies held by the Company could decline rapidly. A 40% variance in price of these digital currencies would impact the Company's comprehensive net loss by \$8,214,000 and \$45,000 respectively. Historical performance of digital currencies is not indicative of their future performance.

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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, amounts recoverable and due from related parties. The Company manages credit risk, with respect to cash and short-term investments by maintaining the majority of cash at highly rated financial institutions.

The Company is exposed to a concentration of credit risk with respect to its trade accounts receivable balance related to hosting revenue. 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 statements of financial position. As at June 30, 2023, no amounts were held as collateral.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at June 30, 2023, the Company has a working capital of \$22,494,902 and does not require any additional financing to meet short-term operating requirements. The Company's cash is held with large Canadian financial institutions and is available on demand. If there are additional cash requirements, the Company has the option to liquidate digital currencies to meet operating needs. These digital currencies are subject to fluctuations in the market price of digital currencies. The current value of these assets as at June 30, 2023 is \$20,644,465 based on subsequent prices may be valued at significantly less. In the event when the Company cannot rely upon the liquidation of digital currencies to meet operating needs, the Company will have to explore debt financing opportunities of which there is no guarantee of the receipt of funds to cover operations.

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 tied to the TD Canada Trust Posted Bank Prime Rate of Interest plus 4.55% per annum and the accounts payable are not subject to any interest. A 10% change in the interest rate would result in a change in net income of approximately \$100,000.

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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 has 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. As at June 30, 2023, the Company held net financial assets of \$1,356,373 denominated in US dollars (US\$1,024,451). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately \$136,000.

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 exposed to price risk through its holding of digital currencies as described above. The Company is not exposed to any other significant price risks with respect to its financial instruments other than its marketable securities and long-term investment which are measured at fair value totaling \$530,933. A 20% change in the market price would result in a change in the net loss for the period of approximately \$107,000.

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RELATED PARTY TRANSACTIONS

(a) Key management compensation and other related party transactions

Key management² 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, | |
|--------------------------|----|------------------------------------|--------------|
| | | 2023 | 2022 |
| Remuneration | \$ | 1,224,143 | \$ 703,326 |
| Share-based compensation | | 1,267,850 | 2,109,889 |
| Total | \$ | 2,491,993 | \$ 2,813,214 |

(b) Related party balances

As at June 30, 2023, \$300,170 (September 30, 2022 – \$380,322) was owed to key management for outstanding salaries, wages and benefits, and consulting services and included in trade and other payables.

Off-Balance Sheet Transactions

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

New accounting pronouncements

New IFRS pronouncements that have been issued but are not yet effective at the date of these financial statements are listed below. These amendments will be applied in the annual period for which they are first required.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2

In January 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements (IAS 1). The amendment applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criteria for classifying a liability as non-current if there is the right to defer settlement of the liability for at least 12 months after the reporting period. Management will assess the impact of this standard.

² Key management consists of Sheldon Bennett Chief Executive Officer, Adrian Glover Chief Technology Officer, Nick Seto, former Director, Justin Rasekh former Director, Jenya Bennett related to Chief Executive Officer, Steven Eliscu Chief Operating Officer, Heather Sim Chief Financial Officer and Director, Kelly Allin former Director, John D. Abouchar Director and John M. Place Director.

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In February 2021, the IASB issued an amendment to IAS 1 Presentation of Financial Statements (IAS 1) and IFRS Practice Statement 2. The amendment applies to annual reporting periods beginning on or after January 1, 2023. The amendment requires that an entity discloses its material accounting policies, instead of its significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements,' to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is not expected to have a significant impact on the preparation of financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Management will assess the impact of these amendments.

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective or early adopted that are expected to have a material impact on the Company.

PROPOSED TRANSACTIONS

There are no proposed transactions as at the date of this document.

COMMITMENTS

As at June 30, 2023, the Company had made \$5,383,240 in deposits towards this commitment and additional miners. Based on funds paid to date, there are no additional funds required based on current market pricing for such mining equipment. The remaining miners were delivered in July of 2023.

RISKS AND UNCERTAINTIES

Digital Currency and Risk Management

Digital currencies are measured using fair value measurement using the quoted closing price on “Yahoo.com.” Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. Digital currencies are valued based on the closing price obtained from “Yahoo.com” at the reporting period corresponding to the different digital currencies mined by the Company. The Company considers the data available at “Yahoo.com” to be an accurate representation of fair value.

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 digital currency; 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 price for digital currency could negatively impact the Company’s future operations. The Company has not hedged the conversion of any of its digital currency sales.

Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. The Company’s digital currencies currently consist primarily of bitcoin.

Pool Management

DMG operates Terra Pool, which generates bitcoin from hashrate it purchases from pool members and pays its members for that hashrate, most of which as at February 1, 2023 is under the Full Pay Per Share (“FPPS”) model. Under FPPS, participants earn digital currency based on a formula for the expected block reward. The Company earns net pool revenue by generating digital currency through the purchase of hashrate from pool participants in excess of calculated payouts. The Company under the FPPS model takes on the volatility risk of matching the timing as to when it mines blocks versus paying out digital currency (less fees) based on the amount of purchased hashrate. Net pool revenue is calculated as the gain or loss between the total digital currency received from purchasing hashrate less digital currency paid to pool participants under the FPPS model.

Given the statistical nature of the Bitcoin network, Terra Pool may lose financially in certain periods because it is absorbing the variance by paying the FPPS Terra Pool members based on their hashrate, not on the actual performance of the pool. However, as the performance of the pool over extended time periods is such that FPPS and PPLNS should have similar results, underperformance of the pool in certain periods reflected by negative net pool revenue should be offset by better than expected performance in other periods reflected by positive net pool revenue. This volatility on a percentage basis should diminish as the pool network share grows.

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Sales Tax Recovery

The Company is subject to changes in tax policy that may negatively impact the recoverability of sales taxes paid by the Company. The Company is subject to Goods and Services Taxes (“GST”) regulated by the Canada Revenue Agency and Provincial Sales Taxes (“PST”) as regulated by the provincial government of British Columbia. Risks include but are not limited to, being precluded from claiming GST input tax credits or other specific taxes imposed on cryptocurrency mining. The Company did successfully submit and collect the BC PST rebate connected with COVID incentive measures offered by the BC Government.

Negative Operating Cash Flows

The Company generates consistent revenue through digital currency mining, hosting and software licensing. Despite increases in revenue, the Company is subject to variable returns; the Company has not consistently had positive operating cash flows. Without additional sources of revenue or more favourable digital currency prices, the Company may continue to have negative operating cash flows.

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 the employees (if any) of, and contractors engaged by the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees (if any) of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Market Risk for Securities

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

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company’s usual business activities.

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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 unfavourable 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.

Loss of Access Risk

The loss or destruction of a private key required to access the Company's digital wallets may be irreversible. The Company's loss of access to its private keys or its experience of a data loss relating to the Company's digital wallets could adversely affect its investments. Cryptocurrencies are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the network's public blockchain. The Company will publish the public key relating to digital wallets in use when it verifies the receipt of cryptocurrency transfers and disseminates such information into the network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Company will be unable to access its cryptocurrency inventory and such private keys will not be capable of being restored by the network. Any loss of private keys relating to digital wallets used to store the Company's cryptocurrency inventories could adversely affect its investments and profitability.

Bitcoin is controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the bitcoin is held. While the Bitcoin Network requires a public key relating to a digital wallet to be published when used in a spending transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the bitcoin held in such a wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the

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Company will be unable to access the bitcoin held in the related digital wallet and the private key will not be capable of being restored by the Bitcoin Network.

To the extent that cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies

The Company may be exposed to risk to the extent of its digital currencies held in trust with cryptocurrency exchanges or other trading venues that may be involved in fraud or experience security failures or other operational issues including insolvency. If an adverse event occurs, the Company may not be compensated for any losses.

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 favourable 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.

OTHER INFORMATION

Additional information on the Company is available on SEDAR PLUS at www.sedarplus.ca.