DMG BLOCKCHAIN SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED JUNE 30, 2022
(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 three and nine months ended June 30, 2022. 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 condensed consolidated interim financial statements dated June 30, 2022, which contains the condensed consolidated interim financial statements for the Company's June 30, 2022, 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, 2022.

DESCRIPTION OF THE BUSINESS

DMG Blockchain Solutions Inc. is a vertically integrated blockchain and cryptocurrency company that mines bitcoin, 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 continue to make. The operations are referred to as Core (infrastructure) 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 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 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 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.

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. DMG has selected a favored global manufacturing company for the immersion fluid to be used.

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 based on our expertise and our supply chain capabilities, we can move quickly to new low cost sites.

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 that had created the Blockseer brand name with its first product which was an analytics tool that enables tracking of bitcoin initially and then transactions on both the Bitcoin and Ethereum blockchains. Over the years, DMG has continued to develop this technology. After the acquisition of Datient, DMG invested in developing 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.

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 is the basis for much of the functionality of Walletscore and its ability to provide filtering of nefarious transactions to crypto pools. The Company currently uses the software internally on Blockseer pools.

Blockseer Breeze: The Company is actively working on this platform with a target to test in a pool environment by December 31, 2022. 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: The Company continues to actively work on this platform with a target to test in a pool environment by December 31, 2022; this software product works similar to a 'cold wallet' and DMG has been beta testing it on Terra Pool. Once released to the public, Blockseer will add the ability to monitor bitcoin wallets, notifying the owner(s) of any transactions and provide 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. Walletscore's AML technology is the basis for filtering out nefarious transactions if requested from the Blockseer pools managed by the Company.

Mine Manager (Helm): 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 key metrics, including temperature, humidity, individual and pooled hashrates, 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.

Blockseer Mining Pools: 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. As an integral part of DMG's ecosystem, Blockseer Pool integrates with DMG's existing crypto platforms Walletscore (real-time AML) and Helm (industrial level crypto seer management), to provide miners with not only quality operations data but also a new standard in mining compliance and governance. DMG licenses this software to other companies and entities.

Blockseer Petra: The Company is actively working on development and currently plans to launch Petra by December 31, 2022, 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 involved with bitcoin directly.

In addition, DMG is investing to bring crypto exchange functionality, Blockseer Exchange, to our platform so crypto to fiat transactions can all be executed within the Blockseer ecosystem.

DMG believes that 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 industry.

COVID-19

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and has impacted worldwide economic activity. Conditions surrounding the coronavirus continue to evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures has had and continues to have an adverse impact on global economic conditions as well as on the Company’s business activities. The Company has experienced delays in the supply chain related to the delivery of equipment for its operations. The Company has also experienced adverse effects related to availability of services provided by third party vendors.

Bitcoin Market Trends

For the quarter ending June 30, 2022, bitcoin price declined 21% (quarter average vs prior quarter average) to $41,410. Concurrently, the Bitcoin network hashrate and difficulty increased by 9% and 11% respectively (quarter average vs prior quarter average) to 214 EH/s and 29.7 trillion (difficulty units), driving down profitability of mining for the industry as a whole. These fluctuations in mining revenue are common, and entities within the space need to be well prepared to weather the volatility of bitcoin to thrive.

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 changes in the price of bitcoin as well as mining hashrate and difficulty.

QUARTERLY HIGHLIGHTS

- On June 22, 2022, the DMG launched Terra Pool, a clean, renewable energy Bitcoin mining pool partnership between DMG and Argo Blockchain plc (LSE: ARB; NASDAQ: ARBK) (“Argo”). Testing has concluded and Terra Pool (www.terrapool.io) is now open to the general Bitcoin mining public. Terra Pool, developed using DMG’s Blockseer technology, is a unique Bitcoin mining pool focused on clean energy as the basis for participation. The pool allows its members to showcase their commitment to clean energy operations and creates new bitcoin from renewable energy sources.
- During the three and nine months ended June 30, 2022, the Company mined 212.46 and 591.54 bitcoin respectively and ended the period with a balance of 416.57 bitcoin. The production of bitcoin has significantly ramped up during the nine months as the Company continues to receive and install additional miners. During the three and nine months ended June 30, 2022, the Company has installed 1,336 and 3,972 additional miners respectively, to be used for self mining.

OVERALL PERFORMANCE

The Company’s revenue increased from the nine months ended in the prior period by $30,594,288 and saw a decrease in net loss of $1,977,177 from the same period in the prior period. The increase in revenue is attributable to increases in digital currency mining revenues attributable to the addition of new mining equipment. The Company is focused largely on self-mining and development of software in the form of pools and technologies that support bitcoin adoption.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2022

Revenue for the three months ended June 30, 2022, was $10,529,315, an increase of $8,825,353 as compared to the three months ended June 30, 2021. Digital currency mining increased by $8,566,613 and mining equipment hosting decreased by $327,523. During the last fiscal year, the Company decreased the number of hosting clients in order to make additional room for its self-mining; as such, the revenue associated with hosting client mining has decreased. Digital currency mining increased as a result of increases in the price of bitcoin throughout the period and increase in mining production. The Company mined 212.46 bitcoin during the three months ended June 30, 2022, at an average price of $42,288 per bitcoin compared to 7.13 bitcoin mined at an average price of $58,624. Production increased as a result of miners received in the last fiscal year and an additional 2,636 miners received during the nine months ended June 30, 2022. The Company recorded $414,960 of software revenue related mainly to its Blockseer Mining Pool licensing (2021 - $Nil).

Operating and maintenance costs for the three months ended June 30, 2022 was $3,568,483 as compared to $1,787,198 for the three months ended June 30, 2021. The largest item causing the increase is related to utilities costs which increased by $2,020,973. The cost increase is related to the increase in digital currency mining activity and the addition of 1,336 miners.

General and administrative costs for the three months ended June 30, 2022 was $930,172. These consisted mostly of consulting, wages, and professional fees. This compares to $1,102,492 during the quarter ended June 30, 2021. The increase is mainly attributable to an increase in professional fees of $124,266, offset by a decrease in salaries and wages $208,259. Professional fees have increased due to legal fees relating to the settlement of legal claims in the period and increased audit, legal and accounting fees related to increases in costs associated with services. Wages have decreased due to a decrease in overall headcount due to a competitive hiring market.

Stock-based compensation for the three months ended June 30, 2022 was $574,419 and compared to the prior period ended June 30, 2021 of $1,772,410. Stock-based compensation decreased by $1,197,991 in the period as the grant date fair value of options issued during the three months ended June 30, 2022 was $0.34 per option as compared to $1.32 in the prior period.

Research for the three months ended June 30, 2022 was $553,509, compared to $73,111 from the same quarter in 2021. These costs include salaries and wages for work on software and subscription costs for servers related to software. Research in fiscal 2022 focused on software and relates to work on Blockseer Mining Pools and Blockseer Petra.

Nine Months Ended June 30, 2022

Revenue for the nine months ended June 30, 2022, was $36,795,637, an increase of $30,594,288 as compared to the nine months ended June 30, 2021. Digital currency mining increased by $30,825,555 and mining equipment hosting decreased by $1,371,770. The Company recorded $1,233,115 of software revenue related mainly to its Blockseer Mining Pool licensing (2021 - $501,955).

Operating and maintenance costs for the nine months ended June 30, 2022 was $9,563,621 as compared to $5,005,277 for the nine months ended June 30, 2021. The increase is a result of increases in utilities costs of $4,768,846 which is related to the increase in digital currency mining activity and the net increase in miners throughout the period.

General and administrative costs for nine months ended June 30, 2022 was $2,603,587. These consisted mostly of consulting, wages, and professional fees. This compares to $3,034,842 during the nine months ended June 30, 2021. The increase is mostly attributable to an increase in professional fees of $400,674, offset by a decrease in salaries and wages of $300,670. Professional fees have increased due to legal fees relating to the settlement of legal claims in the period, increased audit and accounting fees related to the Company's previous year-end filings. Wages have decreased due to a decrease in overall headcount due to a competitive hiring market.

Stock-based compensation for the nine months ended June 30, 2022 was $2,527,079 and was comparable to the prior period ended June 30, 2021 of $2,494,142.

Research for nine months ended June 30, 2022 was $1,892,067, compared to $163,162 from the same period in 2021. These costs include salaries and wages for work on software of $834,315, and subscription costs for servers used for software of $1,020,344. Research in fiscal 2022 focused on software and relates to work on Blockseer Mining Pools and Blockseer Petra.

Selected Quarterly Information for the most recent completed Quarters:

	June 30, 2022 Q3	**March 31, 2022** Q2	**December 31, 2021** Q1	**September 30, 2021** Q4
Revenue	10,529,315	11,899,546	14,259,445	4,090,849
Bitcoin mined	212.46	195.88	183.20	38.48
Net income (loss)	(12,232,725)	56,466	5,036,897	(184,348)
Comprehensive income (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)
	June 30, 2021 Q3	**March 31, 2021** Q2	**December 31, 2020** Q1	**September 30, 2020** Q4
Revenue	1,702,275	2,496,452	1,928,923	2,091,148
Bitcoin mined	7.13	2.76	32.43	81.99
Net loss	(8,422,253)	(914)	(693,391)	(325,433)
Comprehensive loss	(8,364,499)	2,175,963	(20,897)	82,794
Basic and diluted loss per share	(0.05)	(0.00)	(0.01)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, the Company had positive working capital of $11,922,063 (September 30, 2021: $44,050,438). The decrease in working capital primarily relates to the decrease in cash of $18,450,172, mainly due to the purchase of property and equipment of $4,193,256 and deposits on mining equipment of $34,363,490, offset by proceeds received from selling digital currency of $25,336,093.

The Company incurred cash outflows from operations for the nine month period ending June 30, 2022 of approximately $9.1 million, a decrease of $7.4 million compared to the nine months ended June 30, 2021. The Company had significant increases in digital currency mining revenue of $30.8 million compared to last quarter. The Company invested $4.2 million in property, equipment, including mining equipment and made deposits of an additional $34.4 million toward mining equipment. The Company expects to continue to purchase additional mining equipment in 2022, and anticipates financing these through prepayments made, use of the existing cash balance, and sale of bitcoin. As at June 30, 2022, the Company had 416.57 bitcoin valued at $10,608,282 and 45.34 ether valued at $62,290.

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:

- 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 calendar 2022 and to be completed by December of 2022, with a target hash rate of just over 1,000 PH/s.
- 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.
- 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 new capabilities, and providing these at a reasonable price-point that enables 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.

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, 2022

During the nine months ended June 30, 2022, the Company issued 110,000 common shares in connection with the exercise of stock options for proceeds of $44,000. As a result, $29,029 has been reclassified from share-based payment reserve to share capital.

During the nine months ended June 30, 2022, the Company issued 259,375 common shares in connection with the exercise of warrants for proceeds of $55,000. As a result, $146,023 has been reclassified from share-based payment reserve to share capital.

OUTSTANDING SHARE DATA

As at the date of this document, the Company had 167,256,377 common shares issued and outstanding, 11,348,397 stock options issued and outstanding, and 37,407,433 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 Level 1		Significant other observable inputs Level 2		Significant unobservable inputs Level 3		Total
June 30, 2022								
Cash	$	1,236,605	$	-	$	-	$	1,236,605
Marketable securities	$	411,220	$	-	$	-	$	411,220
Digital currencies	$	10,670,572	$	-	$	-	$	10,670,572
Long-term investments	$	-	$	5,803,388	$	-	$	5,803,388
September 30, 2021								
Cash	$	19,686,777	$	-	$	-	$	19,686,777
Marketable securities	$	486,615	$	-	$	-	$	486,615
Digital currencies	$	17,925,942	$	-	$	-	$	17,925,942
Long-term investments	$	-	$	5,677,650	$	-	$	5,677,650

The Company has determined the estimated fair value of its financial instruments, 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, if any, are not materially different from their carrying values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Management of Industry and Financial Risk

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

Credit Risk

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company has exposure to credit risk through its cash and cash equivalents, amounts receivable and due from related parties. The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash at highly rated financial institutions.

The Company is exposed to a significant concentration of credit risk with respect to its trade accounts receivable balance because of its dependence on three major customers. The Company decreased its exposure to concentration of credit by increasing the number of customers. The Company records an allowance against its trade receivables when there is uncertainty over collection of this amount. All balances due are expected to be settled partially or in full when due (typically within 60 days of submission) and because of the nature of the counterparties.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the condensed interim consolidated statements of financial position. At June 30, 2022, 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, 2022, the Company has a working capital of $11,922,063 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, 2022 is $10,670,572, based on subsequent prices may be valued at significantly less. The Company is currently set-up to maintain positive cash flow in the event of further decline of digital currency prices. In the event where the Company cannot rely upon the liquidation of digital currencies to meet operating needs, the Company would have to explore debt financing 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 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.

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. At June 30, 2022, the Company held net financial liabilities of $675,638 denominated in US dollars (US$524,319). A 10% change in the foreign exchange rate would result in a change in the net income for the period of approximately $67,000.

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 at June 30, 2022, the Company held bitcoin and ether which have a limited history and historically prices have been volatile. A significant change to the price of bitcoin may affect the Company's ability to liquidate digital currencies. A 40% variance in price of these digital currencies would impact the Company's comprehensive net loss by $4,244,000 and $25,000 respectively. 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 $6,214,608. A 20% change in the market price would result in a change in the net loss for the period of approximately $1,245,000.

RELATED PARTY TRANSACTIONS

(a) Key management compensation and other related party transactions

Key management[1] 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,		
		2022		**2021**
Salaries, wages, and benefits	$	580,468	$	1,476,985
Consulting services		36,988		150,300
Share-based compensation		2,109,889		1,465,153
Total	$	2,813,214	$	3,092,438

(b) Related party balances

As at June 30, 2022, $449,160 (September 30, 2021 – $298,478) 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.

[1] Key management consists of Sheldon Bennett Chief Executive Officer, Adrian Glover Chief Technology Officer, Nick Seto Director, Justin Rasekh Director, Jenya Bennett related to Chief Executive Officer, Steven Eliscu Chief Operating Officer and John M. Place Director.

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.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The amendments clarify when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. – costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on or after January 1, 2022. This amendment does not have a significant impact on the preparation of the financial statements.

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, 2022, the Company had outstanding executed purchase agreements for the purchase of miners for 450 new model S19j Pro miners and 1,800 new model S19 XP miners. As at June 30, 2022, the Company had made $19,180,716 in deposits towards this commitment, with $2,218,284 remaining to be paid based on the original contract price: this amount remaining to be paid may be adjusted based on current market pricing for such mining equipment. The remaining miners are scheduled to be delivered through December 2022.

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 prices 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.

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 continued favourable digital currency prices, 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.

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 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.

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 at www.sedar.com.