



DMG Blockchain Solutions Inc.

Statement Regarding Modern Slavery

About this Statement

This Statement constitutes DMG Blockchain Solution's Statement Regarding Modern Slavery (Statement), covering our fiscal year of October 1, 2022, to September 30, 2023.

This Statement is made on behalf of DMG Blockchain Solutions (DMG) and certain of its subsidiaries (collectively "DMG", "we", "us" or "our") pursuant to section 6(2) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Canadian Act)^{A1}.

Modern slavery, including but not limited to forced labor and child labor, and human trafficking are contrary to our purpose, vision and values. We do not tolerate slavery or human trafficking in our organization or in those of our suppliers and subcontractors. We hold ourselves to the highest standards and expect DMG employees, contract workers and members of the boards of directors of DMG Blockchain Solutions and certain of its subsidiaries to act with integrity and comply at all times with the letter and spirit of the laws, regulations and rules that apply to DMG in the jurisdictions where we actively operate. If instances arise where these expectations are not met, we will review and respond.

Our structure, operations and supply chain ^a

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

The DMG group consists of:

- DMG Blockchain Solutions Inc. (DMG), incorporated in British Columbia, Canada. DMG operates predominantly in British Columbia, Canada. DMG has the following subsidiaries, incorporated in BC Canada, as well as in the US:
 - 1141559 B.C. Ltd. - Incorporated in BC, Canada
 - 1332517 B.C. Ltd. - Incorporated in BC, Canada
 - 1300036 B.C. Ltd. - Incorporated in BC, Canada
 - Systemic Trust Corp - Incorporated in Alberta, Canada
 - DMG-US, Inc. - Incorporated in Delaware, USA
 - Datient, Inc. - Incorporated in Delaware, USA
 - DMG Blockchain Services Inc. - Incorporated in Texas, USA

Operations:

- DMG caters for clients across Canada, with some clients in the USA. However our base of operations is in Delta, BC and Christina Lake, BC. We have several employees working remotely.

Our principal supply chain includes, for the following types of goods:

- Computer equipment
 - As a data processing company, we rely on capable computer servers that operate efficiently, solving the most algorithms at the lowest cost.
 - We source servers and related equipment from our local Vancouver supplier.
 - Produced mainly in China, Taiwan and Malaysia.
- Electrical equipment (high and low voltage)
 - High and low-voltage electricity transformers and unit-substations at our substation.
 - We source related equipment from our local Vancouver supplier.
 - Produced mainly in China, South Korea, Mexico, US and Canada.
- Electronic equipment
 - Network equipment (switches, cabling). Security equipment.
 - We source related equipment from our local Vancouver supplier.
 - Produced mainly in China.
- Office equipment
 - Office equipment, including photocopiers, stationery etc.
 - We source related equipment from our local Vancouver supplier.
- Cooling equipment
 - Fans and motors for cooling:
 - We source related equipment from our local Vancouver supplier.
 - Produced mainly in China.
- Cooling fluids
 - Coolant used in liquid immersion cooling:
 - We source these liquids from our supplier in Calgary.
 - Produced mainly in Canada.
- Building supplies
 - Corrugated iron, drywall etc.

- Sourced locally.
- Shipping services
 - Transportation of equipment.
 - We use a Canadian transportation provider for all our domestic and international shipping.
- Professional services
 - Legal services
 - Sourced locally.
 - Insurance providers
 - Sourced locally.
 - Investor relations
 - Sourced from the US.
 - Accounting services
 - Sourced locally.
- Other (minor purchases, sourced locally)
 - Business travel providers
 - Recruitment agencies
 - Merchandise suppliers
 - Conference providers
 - Operations, maintenance and local repairs

Our business segments^a

- Core business line
 - Under the Company's Core business line, our data center operations (based in Christina Lake, BC) focuses on earning revenues from selling compute internationally as well as providing colocation services.
- Core+ business line
 - The Company's Core+ business line is focused on monetizing Blockchain transactions through operation of its carbon neutral pool, Terra Pool, enabling financial institutions to move digital assets in a carbon neutral manner without mixing their transactions with those that contain wallet addresses black-listed by the US Department of Treasury OFAC (Office of Foreign Assets Control) and enabling a carbon-neutral bitcoin marketplace, providing financial institutions access to bitcoin that has been mined using carbon neutral energy sources.

Our frameworks and policies^b

We believe that good governance is the essential foundation of a respectful and inclusive corporate culture that earns trust from and builds value for our clients, employees and

shareholders. The governance committee of the board of directors of DMG Blockchain Solutions (board) focuses on the development, approval and ongoing updates of corporate policy, oversees the process for evaluating board committee and director effectiveness, and oversees management of culture and conduct at the company, including breaches of our Code of Conduct. Additional responsibilities include (i) developing and recommending governance frameworks, principles and policies to the board; (ii) overseeing environmental, social and governance (ESG) matters; (iii) monitoring developments in corporate governance and adapting best practices; and (iv) reviewing shareholder proposals and recommending responses to the board.

Code of Conduct

At DMG, we recognize that respecting human rights is a shared responsibility of all enterprises regardless of where they operate globally. This perspective aligns with our purpose, vision and values and has been reflected in our policies and practices. Our Code of Conduct and Employee Handbook guide us and set expectations for our behavior and decision-making. Our Code of Conduct and Employee Handbook provide the roadmap we follow to serve our clients with the highest standards of integrity. It also lays the foundation for how we work together in a respectful, transparent and fair environment. The Code of Conduct forms the basis for all of our relationships. It applies to all directors, employees and contract workers of the company and its operating subsidiaries.

At DMG, our core purpose, vision and values, and seeking to respect others in our pursuit of doing what's right, are fundamental principles that support and guide DMG's commitment to respecting human rights across our organization. Actual or possible violations of our Code of Conduct, including with respect to human rights are required to be reported, in order to take appropriate action to review and address issues.

Culture and conduct

To build and maintain the trust of our clients, employees and shareholders, the board establishes the tone from the top, sets the standards of conduct and champions our values as set out in our Code of Conduct.

The DMG Code of Conduct serves as the foundation to promote a culture of "Doing What's Right" as well as setting standards of conduct expected of our employees.

Vendor Management Policy

In some cases we are not in a position to dictate what large vendors do, but in regular communications with our vendors and subcontractors (mainly via Accounting department) we include requests that our vendors demonstrate that they are committed to combating modern slavery, to demonstrate that they have policies and procedures in place to confirm that: child, forced or compulsory labor is not used; human rights discrimination and harassment are prohibited; retaliation for speaking up is prohibited and employees are free to raise concerns and speak up without fear of reprisal; appropriate and reasonable background screenings, including investigations for prior criminal activity to support the integrity and good character of the supplier's employees have been conducted; clear and uniformly applied employment standards are used that meet or exceed legal and regulatory requirements.

Risks of modern slavery in our operations and supply chain ^c

According to the Responsible Sourcing Tool^{A2} and the U.S. State Department 2023 Trafficking in Persons Report^{A3}, employees in the Blockchain services sector, in the countries where we operate, are at low risk of modern slavery. We recognize we may be indirectly linked to the risk of modern slavery through our supply chain, and that certain sectors in our supply chain may pose a higher risk of modern slavery, including:

- Electronics & Electrical
- Extractives, Mining & Metals
- Transportation & Warehousing

DMG manages modern slavery risk through a variety of policies, processes and practices, which are outlined in this Statement.

DMG's supply chain involves purchasing a broad range of goods and services from international, national, regional and local suppliers. We follow a sound sourcing process whenever possible while managing our supply chain effectively, and we identify, assess and monitor areas in our supply chain where there may be a risk of slavery and human trafficking. Our principal supply chain is referenced above.

Our due diligence processes

Financial crimes

Our software (Walletscore or equivalent sourced from third-parties) is designed to detect and report suspected money laundering and terrorist financing activities within the Blockchain transactions that we process, that may include child sexual exploitation, slavery and human trafficking. In addition to this, all officers and staff are required to agree to our Anti-Money Laundering Policy (AML Policy) upon joining the company. To address the risk of our services being misused for financial crimes, including money laundering or terrorist financing, bribery, corruption or other activities that may violate applicable economic sanctions, we have implemented controls to filter out financial transactions which are not OFAC compliant. An example of mitigating processes and systems includes implementation of a variety of systems for monitoring transactions coming into our mempool. Through our transaction monitoring solutions, we strive to manage these risks consistently and effectively.

Supplier risk management

We have risk assessment and due diligence programs in place for suppliers including review of supplier statements (on modern slavery), as well as all Accounting communications with our vendors and customers include a message stating that we are aiming to comply with our

Statement on Modern Slavery, and requesting our suppliers to join us in this initiative.

We risk-assess suppliers at the inception of the business relationship, implement processes to track changes in their risk profiles on an ongoing basis and identify negative news related to our highest risk suppliers. If a supplier is flagged for human rights risk, they will be subject to enhanced due diligence. DMG aims to prevent and mitigate adverse impacts we may be directly linked to by taking appropriate action to mitigate such risks, which may include exercising leverage in our business relationships.

Pursuant to DMG's Vendor Management Policy, DMG may request to monitor supplier compliance and audit their control environment. We also may request information from our suppliers with respect to their compliance with the principles of our Vendor Management Policy.

Our training ^f

Understanding and complying with the Code of Conduct is a condition of working at DMG, and employees and contract workers must review the Code of Conduct as well as the Employee Handbook, and acknowledge they have done so annually.

Our AML Policy contains examples to help staff identify potential cases of money laundering as well as examples arising from sanctioned individuals or nefarious entities.

In addition, select segments of employees who oversee and engage with our supply chains completed targeted training focused on the risks associated with forced labour and child labour in our supply chains.

Our remediation processes ^d

Our Code of Conduct as well as our AML Policy, requires all employees and contract workers to report actual or possible misconduct. Employees and contract workers are encouraged to speak to their manager, senior management, Human Resources or Compliance so issues can be addressed quickly and objectively as well as report misconduct that may violate our Code of Conduct, policies and laws or is otherwise unethical and could put DMG at risk.

Assessing our effectiveness ^g

The effectiveness of DMG's AML program is periodically evaluated to confirm it remains current and aligned with business activities, regulatory developments, industry standards and best practices. By doing so, DMG adheres to relevant anti-money laundering and terrorist financing laws and regulatory requirements in the jurisdictions in which we operate, including guidance on money laundering risk related to slavery and human trafficking.

For all suppliers, we conduct ongoing screening, which allows us to baseline a supplier's risk

profile and subsequently flag and assess any activities that would violate our Vendor Management Policy. We discuss any instances where corrective actions are required with the supplier and track those issues to completion. Having leveraged such supplier screenings and monitoring procedures combined with our policies and processes relating to internal conduct, in the 2023 financial year, we have found no evidence of modern slavery, including forced labour or child labour or human trafficking incidents, or loss of income as a result of steps taken to eliminate modern slavery or human trafficking. Thus there has not been a basis to take remedial steps^{d, e} regarding such matters.

Steps taken since last year reported^h

This being the first year of us adopting the Canadian Act, outside of screening digital assets of our colocation clients, we don't have anything to report on steps since taken by DMG to prevent and reduce the risk that forced or child labour was used in the production of goods in Canada or elsewhere, or of goods imported into Canada.

Our consultation and governance process

In preparing this Statement, the company engaged with each of the reporting entities covered by this Statement, and with other entities it owns or controls. It also consulted with key areas of our organization to prepare this Statement.

Conclusion

DMG remains committed to preventing slavery and human trafficking from taking place in our businesses and in our supply chains. We will continue to review our policies, procedures and practices periodically to determine any enhancements we can make to help prevent modern slavery and human trafficking.

Approval

This Statement was approved by the board members of DMG Blockchain Solutions Inc. on May 17, 2024.

Attestation pursuant to section 11 of the Canadian Act

In accordance with the requirements of the Canadian Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities subject to the Canadian Act. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Signature: 
E99C8BCC87614C5...

Full name: Sheldon Norman Bennett

Title: Chief Executive Officer, Director

Date: May 17, 2024

I have the authority to bind DMG Blockchain Solutions Inc.

Signature: 
2D4BE725F78E4A5...

Full name: John Place

Title: Member of the Board of Directors

Date: May 17, 2024

I have the authority to bind DMG Blockchain Solutions Inc.

References

A1 This Statement is made on behalf of the following Canadian subsidiaries of the company with respect to the Canadian Act:

- 1141559 B.C. Ltd. - Incorporated in BC, Canada
- 1332517 B.C. Ltd. - Incorporated in BC, Canada
- 1300036 B.C. Ltd. - Incorporated in BC, Canada
- Systemic Trust Corp - Incorporated in Alberta, Canada

A2 <https://www.responsiblesourcingtool.org/>

A3 https://www.state.gov/wp-content/uploads/2023/09/Trafficking-in-Persons-Report-2023_Introduction-V3e.pdf

Requirements of the annual report to Public Safety Canada

<https://www.publicsafety.gc.ca/cnt/cntrng-crm/frcd-lbr-cndn-spply-chns/prpr-rprt-en.aspx>

As per subsection 11(3), an entity must provide information on each of the following:

- a) Its **structure, activities and supply chains**
- b) Its **policies and its due diligence processes** in relation to forced labour and child labour
- c) The **parts of its business and supply chains** that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk
- d) **Any measures taken** to remediate any forced labour or child labour
- e) **Any measures taken to remediate the loss of income** to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains
- f) The **training provided to employees** on forced labour and child labour
- g) **How the entity assesses its effectiveness** in ensuring that forced labour and child labour are not being used in its business and supply chains
- h) The **steps** the entity has **taken during its previous financial year** to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity

These are detailed above as indicated by the superscripts.