DMG Blockchain Channels Hydro-Powered Bitcoin Profits Into Canada's Home-Grown Defense-AI Supercomputer Drive

written by Tracy Hughes | August 27, 2025

DMG Blockchain Solutions Inc. (TSXV: DMGI | OTCQB: DMGGF), a Canadian cryptocurrency mining firm, has delivered an unusual third-quarter report that combines steady mining results with a bold pivot toward artificial intelligence. The company's fiscal Q3 2025 earnings announcement, released this week, showed revenue of C$11.6 million – up 40% from a year earlier – and a near-breakeven net loss of just C$0.4 million. Although revenue dipped 8% from the prior quarter amid a challenging Bitcoin market, it exceeded analyst forecasts, and the company dramatically narrowed its loss from C$3.3 million in Q2 to essentially zero.

DMG remains first and foremost a Bitcoin miner – and Q3 underscored both the promise and pitfalls of that business. The company produced 84 bitcoins in the quarter, slightly fewer than the previous period's 91 as summer heat and a tougher network reduced output. Even so, DMG's mining capacity has nearly doubled from a year ago. It is now running 1.80 exahashes per second of computing power, an 89% year-over-year increase driven in part by 6 megawatts of new hydro-powered mining rigs that came online this quarter. Harnessing hydropower is central to the company's strategy of carbon-neutral mining, and it also helped DMG curb energy costs. Still, operating expenses have climbed with the expanded fleet – power and maintenance spending jumped by roughly C$1.4 million (to C$6.5 million) from the same

quarter last year due to more machines humming and higher electricity rates. In response, executives say they are focused on securing cheaper energy sources, including non-firm surplus power at its Christina Lake, B.C. site, and exploring new locations with low-cost electricity. The goal, management reiterated, is to grow mining capacity to 3 exahashes by year-end 2025 using non-dilutive financing.

If Bitcoin mining provided the cash in Q3, DMG's future bets lie in artificial intelligence. In the earnings call, CEO Sheldon Bennett outlined a strategic shift toward becoming a provider of AI computing infrastructure, particularly for government and defense clients. The company recently purchased 2 megawatts of modular data center hardware to support AI workload, the first step in what Sheldon calls positioning DMG *"to expand into AI in a meaningful way"*. Crucially, DMG is aligning itself with a new Canadian defense directive that calls for beefing up domestic AI computing capacity. Bennett revealed that he met with a senior defense procurement official at an aerospace event in August and came away encouraged by the discussion. According to Bennett, DMG is already *"aware of specific [military] requirements"* for AI processing and believes it is **"well positioned to address Canada's military needs"** together with yet-to-be-named technology partners. As part of this effort, DMG signed an agreement with the Malahat First Nation last year to jointly develop up to 30 megawatts of AI-focused data center capacity. This project – split between the company and its Indigenous partner – would dramatically expand DMG's infrastructure and appears tailored to meet anticipated government demand. It also signals a profound diversification: the same firm that validates Bitcoin transactions is now preparing to crunch defense-related AI data, should Ottawa come calling.

The move from mining cryptocurrency to courting military contracts is not without risk. Even as DMG's leadership touts a

“unique opportunity” in serving defense clients, they acknowledge the road may be long. *“Government cycles can be long and painful,”* Bennett said on the investor call when asked about the timing of any defense deals. The Canadian government, he noted, has a newfound *“sense of urgency”* to invest heavily in AI — spurred by NATO commitments and a recognition that Canada is *“woefully behind”* the United States in this arena. But bureaucratic procurement processes move slowly. DMG’s chief operating officer, Steven Ellescu, cautioned that the company is *“new to the procurement process”* and that winning contracts will take persistence. In the meantime, DMG is pursuing what Bennett calls “smaller projects” and pilot deployments to prove its capabilities while it *“actively [follows] the political angles”* to navigate Ottawa’s defense bureaucracy. The Malahat partnership, for example, may allow DMG to start building out AI facilities in phases, so that it can scale up quickly if a big government contract materializes.

Financially, pivoting to AI and defense will require DMG to carefully marshal its resources. The company’s balance sheet is relatively strong for its size — it held C$61.8 million in cash, short-term investments and digital assets at the quarter’s end — but a large-scale data center buildout could easily dwarf that. Management is clearly mindful of this. Over the past few months, DMG significantly paid down debt, reducing an outstanding loan from about C$20 million to under C$10 million. This deleveraging cuts interest costs and frees up borrowing capacity. In fact, DMG has been using its bitcoin treasury as collateral to support its loan facility, effectively turning crypto holdings into working capital. *“We’d rather use the dry powder we have,”* Ellescu said, referring to the remaining credit line and cash, to fund high-impact investments like the new AI data centers. The company generated C$18 million in operating cash flow in Q3 largely by selling more Bitcoin than it mined, signaling a

willingness to liquidate some of its digital assets to finance expansion. Going forward, if a defense-related AI project moves ahead, DMG will likely face hefty upfront expenditures — for land, equipment and power infrastructure — and possibly new financing rounds. Company officials have floated the idea of raising capital via strategic partnerships or even a U.S. stock listing (they are considering an uplist to Nasdaq) to broaden their investor base. For now, they insist that any growth spending will be non-dilutive and targeted at projects with significant long-term payoff.

DMG's transformation is happening in the shadow of a volatile crypto sector that has forced miners to adapt or wither. The company's core Bitcoin operations still provide the bulk of revenue — about C$11 million of the C$11.6 million total this quarter — and DMG remains committed to its blockchain business. It continues to develop proprietary software (Terra Pool, Helm and Reactor) aimed at making Bitcoin mining more efficient and sustainable. It is also fine-tuning a digital asset custody platform called Systemic Trust, intended to help institutions safely hold cryptocurrency. That venture, however, has been slow to take off; Bennett admitted client onboarding and revenue for the custody unit have lagged initial expectations, with meaningful income now pushed out into 2026. In the meantime, DMG is keeping its focus — and capital — trained on the two poles of its business that offer the most immediate promise: Bitcoin mining, which is generating cash even in a turbulent market, and the nascent AI compute services, which could open a lucrative new revenue stream if Canada's defense establishment signs on.

For this tech player, it's an ambitious balancing act. DMG Blockchain Solutions is effectively trying to straddle two frontier industries, hoping strength in one can compensate for uncertainty in the other. So far, the strategy has yielded incremental progress: better financial health, steady crypto

production, and early inroads with government tech planners. The coming quarters will reveal whether DMG can convert those inroads — and the government's AI "directive" to spend more on domestic computing power — into concrete contracts. If it can, the company's bet on reinventing itself may pay off handsomely, transforming DMG from a niche Bitcoin miner into a key infrastructure provider for Canada's digital future. If not, the firm will at least have a stronger balance sheet and a leaner operation to weather whatever the next crypto winter brings. As CEO Bennett put it, DMG now has *"a foundation of a strong balance sheet"* and *"increasing momentum"* behind its initiatives — all while *"continu[ing] to generate cash"* from its legacy business. That mix of pragmatism and bold vision may be exactly what this evolving industry demands.