



DMG's bitcoin mining operation expanding rapidly

As a general rule, the most successful man in life is the man who has the best information

The capacity of DMG Blockchain Technologies (TSXV:DMGI) to mine more bitcoins, thereby substantially increasing its current revenue and adding market capitalization, is gathering pace as the newly-listed blockchain entity with multiple cash-generating platforms announced that [the first stage of its bitcoin mining facility is nearly complete](#).

DMG said on Monday that the facility in British Columbia, whose exact location was not disclosed, is ready to add 40 megawatts of power, as well as infrastructure for more cryptocurrency miners. It will be able to handle up to 85MW of power, with expectation of 40MW by the middle of the year. Once completed the bitcoin mining hub would be one of the largest in North America. The facility will be used by both DMG and clients that the company leases its servers to for the purpose of cryptocurrency mining – a model known as “Mining as a Service (MAAS).

“This hybrid approach allows DMG to scale at a faster pace than a pure mining model, optimizing the use of its recently raised capital - it balances the capital requirements and high returns of the traditional mining model with the low capital intensity and calculable revenue generation of the MaaS model,” DMG wrote in Monday's press release.

Mining rigs mushrooming

Investors should understand that DMG Blockchain Technologies has actually been mining bitcoin in Western Canada since October 2016. DMG uses ASIC miners which are specially designed bitcoin mining computers and DMG is believed to use Antminer S9 rigs, considered [one of the most powerful in the industry](#) in terms of hash power (~14 TH/s).

For a bitcoin mining company, the number of rigs and their power is vital, since without mining rigs, no mining can be performed and no revenue can be generated.

DMG's main facility consists of a 27,000-square-foot-building, which can host somewhere between 25-30,000 miners in its first phase. At a full 85 megawatts this would be over 60,000 bitcoin mining machines operating in one location..

In addition to DMG's more than 2500 miners today they have recently ordered 1,000 more mining servers of which 500 will be used for the company and the remaining 500 are earmarked for clients. Even more impressive, DMG has placed an order for an additional 6,500 bitcoin mining servers which are expected to arrive in batches between March and April. These servers will be used by both DMG and its clients for crypto-mining. The total number of servers combining those in operation and on order for DMG is over 10,000 miners.

Consolidating operations

According to DMG's [February filing on SEDAR](#), the company plans to make its newest BC facility – where a few megawatts of mining has already started – its primary bitcoin mining facility. Servers and infrastructure have already moved from Alberta to the BC facility and its second facility, also in BC, has already shifted its miners to the new consolidated mining facility. The 40MW of power would be added to this facility (with capacity for 85MW) and according to the filing, the building can accommodate 25,000 to 30,000 servers, with more land available on the 34-acre site if additional buildings and servers are needed.

How mining is done



Bitcoin mining essentially is a network of interconnected computers that create a system of electronic cash by solving computational puzzles, to put it simply. Computers that solve the puzzles are awarded bitcoins, which are added to a decentralized, public ledger, known as a blockchain, and made available for purchases or trading.

Bitcoins can be used to pay for goods and services or converted into currencies like US dollars. Mined bitcoins are stored in the blockchain, which can be visualized as a digital ledger file stored in the computers of each

bitcoin network “node”. The blockchain records the transaction history of all bitcoins in existence, thus allowing the network to verify and match each bitcoin with the digital wallet that owns it.

Since it's virtually impossible for an individual to mine bitcoins, mining “pools” have been developed whereby multiple miners combine their processing power to solve blocks – or computational puzzles. When the puzzles are solved the pool splits the resulting bitcoin reward based on the compute power each miner contributes.

As of November 2017 the biggest mining pools were AntPool, BTC.com, ViaBTC and BTC.TOP, which together represent about 59 percent of the processing power on the bitcoin network. The reward for solving a block is currently fixed at 12.5 bitcoins, and that will fall to 6.25 bitcoins by June 2020, according to information supplied in DMG's filing. This means the number of bitcoins can never exceed 21 million as the Bitcoin Protocol halves the payout per block approximately every 4 years.. As of November 2017, 16.8 million bitcoins have been mined, and at the current price of roughly US\$10,000, that represents an aggregate value of \$168 billion.

Mining as a Service

Under its MAAS model, DMG provides hosting and management services to clients who want to become bitcoin miners. In exchange for operating and maintaining the servers, DMG receives a monthly fee, giving the company consistent lease revenue regardless of whether bitcoin rises or falls. DMG is already providing bitcoin MAAS to Japanese companies, where Japan is known as the first country to regulate cryptocurrency and



where more than 50% of all global cryptocurrency trading occurs. In December the company received a \$3 million order from Bitmasters, a Japan-based marketing group of tens of thousands of bitcoin traders and influencers, and earlier this month a second \$3 million order was placed by Forside Financial Services, another Japanese company, for MAAS with DMG.

“Instead of them buying bitcoin on exchanges, they can now buy their own machine, pay us a monthly hosting fee, and receive all the bitcoins every day. We’ve already received millions of dollars in orders,” CEO Dan Reitzik said of the MAAS model.

A stand-out blockchain company

Not all companies with the word “blockchain” attached to them offer the chance for shareholder returns. This is a space that is equally ripe for both charlatans and pioneers, and investors must therefore tread carefully. The initial coin offering (ICO) is the way most new blockchain companies raise money, but recent stats show the rate of failure is shockingly high. Of 902 blockchain-backed crowd sales (where tokens are sold that allow the buyer to participate in the start-up funding) 418 have already died, and another 113 are hanging on for dear life. That's a 59% failure rate. Worse, almost 280 failed after they raised funds, according to [Safehaven](#).

DMG Blockchain is so far ahead of these pretenders it's not even fair to include them in the same category.



Over the past year DMG has evolved into a full-service blockchain company that offers superb diversification in the form of four revenue streams: bitcoin mining, “Mining as a Service” (MAAS), forensics & data analysis, and blockchain software development and management.

With DMG's new facility, accessing up to 85 MW of power and tens of thousands of ASIC miners, DMG is setting itself up to be a major force in bitcoin mining. [Read more about DMGI and its four revenue platforms here.](#)

Money in the till, \$27M in revenues



As of the end of January DMG had \$27,969,328 in funding available. The bulk of the money (\$10.5 million) is earmarked for bitcoin mining including its [recent partnership with Mogo Finance Technologies](#). Through a subsidiary, Mogo will mine bitcoin through DMG, initially leasing 1,000 bitcoin mining machines. \$7.5 million is allocated to software development related to supply chain management – one of DMG's four revenue pillars – with another \$5 million going towards potential acquisitions. On the same day it started trading on the Venture exchange, DMG announced a cash and share deal valued at C\$16 million to acquire

BlockSeer, an analytics tool that allows users to “follow the bitcoins” as they move through the blockchain.

The \$27.9 million figure also includes purchasing the third bitcoin mining facility for \$950,000. On the revenue side, it is estimated that DMG will pull in over \$27 million annually from bitcoin mining, based on the number of servers it plans to deploy, at current bitcoin prices.

Conclusion

The volatility of cryptocurrency prices means that bitcoin mining alone is a risky business. DMG Blockchain Technologies recognizes this and has therefore built into its business model a diversity of revenue streams (four, to be exact), thus cushioning it against falling crypto prices by leasing bitcoin mining servers out to clients. Think about the upside: \$27 million in the treasury to execute its four business models, another \$27 million annually in bitcoin mining (and that number is *conservative*. It will surely rise further as more servers are added and if cryptocurrency prices climb again), and a steady stream of potential deals in the pipeline including custom-made blockchain software platforms for select clients.

DMG is on the move. And for that reason is on my radar screen. Is it on yours?

If not, maybe it should be.

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