

# PARLANE RESOURCE CORP.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended November 30, 2017

Directors and Officers as at March 1, 2018

Directors:

Robert Eadie  
Gary Arca  
Ken Sumanik

Officers:

President & Chief Executive Officer – Robert Eadie  
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TSX Venture Exchange Symbol: PPP-V

# PARLANE RESOURCE CORP.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended November 30, 2017

### 1.1 Date of This Report

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Parlane Resource Corp. ("Parlane", or the "Company") for the period ended November 30, 2017. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of March 1, 2018.

*This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

*The Company does not undertake to update or revise any forward-looking information, except as, and to the extent, required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.*

## 1.2 **Overall Performance**

### *Description of Business*

The Company was incorporated in the Province of British Columbia on June 1, 2007 under the Business Corporations Act of British Columbia. The Company is engaged in exploration in British Columbia on the Bearcat claim situated 76 kilometres west of Quesnel (See change of business under *Recent Events* below). The Company is listed on the TSX Venture Exchange (the “Exchange”), having the symbol PPP-V, as a Tier 2 issuer and is in the process of exploring its mineral properties.

### *Recent Events*

#### a) Mine of Cryptocurrency

On January 10, 2018, the Company announced that it has entered into a binding letter agreement whereby it will engage a third party to host cryptocurrency mining activities on behalf of the Company.

Pursuant to the agreement dated January 9, 2018, the Company will initially acquire 500 S9 Antminer at a cost of US\$2,000,000 mining rigs, and will engage a Quebec based company (the “Provider”) to set-up, host and operate the cryptocurrency mining activities. In exchange for such services, the Provider will receive (i) 6,000,000 shares of the Company, and (ii) 10% of all net profits generated by the mining activities. The Company will be responsible for all operating costs, to be at an all-in cost of US\$0.10 per kilowatt hour per mining rig. The Company may add additional mining rigs from time to time. The shares of the Company to be received by the Provider will be subject to resale restrictions such that 1,000,000 shares will be restricted for four months, 2,500,000 shares will be restricted for six months, and 2,500,000 shares will be restricted for 12 months.

The above transactions will constitute a change of business for the Company, as such term is defined in TSX Venture Exchange (“TSXV”) policies, in that the Company will be involved in mining for cryptocurrencies rather than exploring for minerals. Consequently:

- (a) the Company has halted trading of its common shares; and trading will remain halted until the transactions have closed;
- (b) closing of the transactions (including issuance of shares to the Provider) is subject to the approval of the TSXV;
- (c) closing of the transactions is also subject to the approval of the Company’s shareholders. In this regard, the Company anticipates it will obtain such approval by way of consent resolution; and
- (d) the Company will prepare and file a TSXV Filing Statement, in the prescribed form.

The transactions with the Provider were negotiated at arm’s length. The shares issued to the Provider will be re-distributed by it to its shareholders, such that there will be no new control blocks or insiders created. There will be no change in the board of directors of the Company, and no change of management. As such, no new escrow of any new or previously issued shares is expected to occur. Closing of the transactions is subject to a number of conditions precedent, including due diligence investigations, negotiation of a definitive agreement with the Provider, raising of sufficient funds, and shareholders’ and TSXV approvals; and there is no assurance all of the conditions will be satisfied.

The Company has approximately C\$2,500,000 of cash resources; and estimates it will be required to raise an additional \$750,000 to finance the transactions outlined above. To that end, the Company has

completed a non-brokered financing and issued 5,100,000 Subscription Receipts (the "Receipts") at \$0.15 per Receipt; each Receipt convertible at no additional cost into either:

- (i) Units of the Company, in the event the transactions close. Each Unit to be comprised of one common share and one-half warrant ("Warrant"). Each whole Warrant will entitle the holder thereof to acquire one additional common share of the Company at a price of \$0.25 for a period of 12 months from the date of issuance of the Warrant; or
- (ii) the return of all of the subscription proceeds for such Receipts, in the event the transactions do not close.

Finder's fees were paid in the form of a cash payment of \$41,850 and 278,699 brokers' warrants with the same terms and conditions as the warrants comprising part of the units were issued. The brokers' warrants will not be delivered until final Exchange approval.

Proceeds from the Receipt financing are held by the Company pending closing of the transactions.

In conjunction with the Company's change of business, it will also be:

- Changing its name to more accurately reflect its new business focus; and
- Acquiring the intellectual property rights to the "iMining" brand, including worldwide tradename, trademarks, and URL site. The cost to acquire these rights has been negotiated as \$550,000 to be paid as to \$250,000 in cash and 2,000,000 shares of the Company at a fair value of \$0.15 per share.

The Company does not anticipate that sponsorship will be required for purposes of obtaining TSXV approval to the transactions, and will be seeking a waiver from the TSXV in that regard.

b) Sale of Mexican subsidiary

Subsequent to November 30, 2017, the Company finalized an agreement to sell its subsidiary, Minera Mexicana Parlane, S.A. de C.V. for US\$59,400. The value of the subsidiary was determined to be the fair value of the tax credits available.

### 1.3 Selected Annual Information

The highlights of financial data for the Company's three most recently completed year-ends are as follows:

	May 31, 2017	May 31, 2016	May 31, 2015
(a) Total other income (losses)	\$ 9,001	\$ (80,300)	\$ (103,460)
(b) Total expenses	(363,228)	(101,746)	(209,696)
(c) Net loss	(354,227)	(182,046)	(313,156)
(d) Loss per share – basic and diluted	(0.03)	(0.02)	(0.04)
(e) Total assets	2,222,468	1,676,174	1,621,335
(f) Total long-term liabilities	Nil	80,064	Nil
(g) Cash dividends declared per share	\$ Nil	\$ Nil	\$ Nil

### 1.4 Results of Operations

*Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the November 30, 2017 unaudited consolidated financial statements of the Company and notes attached thereto.

#### 1.4.1 Property Activity

##### Big Bear Project

During the period ended November 30, 2017 the Company sold its interest in the Big Bear and Nechako properties, comprised of 62 mineral claims totalling 27,469.77 hectares, for a total cash consideration of \$2.5 million. On July 5, 2017 the Company completed the sale of its interest after TSX approval was obtained, \$2.5 million cash has been received and a gain of \$726,128 is reported on the Statement of Operations and Comprehensive Income.

##### Bearcat Project

The Company acquired through staking a new property, *the Bearcat*, in January, 2015. The Bearcat is comprised of 1 claim, a 389-hectare block situated 76 kilometres west of Quesnel, six kilometres northwest of the village of Nazko and 90 kilometres southeast of the Big Bear. The claim block covers a prospective area identified during Geoscience BC's TREK (Targeting Resources through Exploration and Knowledge) 2014 till sampling project. The original TREK till sample taken in the area returned values greater than the 98th percentile (from a 677-sample set) for gold, silver, lead, zinc and nickel. The Company carried out a small sampling project in November 2014 and followed up in August 2015 with an additional 60-soil sample grid. The Bearcat claims are in good standing until September 5, 2018.

#### 1.5 Results of Operations

The expenses and other items relating to the gain for the period ended November 30, 2017 of \$576,862 and for the loss of the comparative period ended November 30, 2016 of \$136,334 are as follows:

For the period ended	November 30, 2017	November 30, 2016
Accounting and audit fees	\$ (12,456)	\$ (500)
Finance revenue (costs)	7,732	(8,929)
Foreign exchange loss	-	(1,190)
Legal and corporate services	(49,084)	(10,279)
Management services	(63,853)	(30,000)
Office, rent and administration	(25,737)	(6,000)
Shareholder communications	(10,364)	(73,676)
Transfer agent and filing fees	(6,494)	(9,557)
Gain on sale of Big Bear and Nechako	726,128	-
Gain on sale of marketable securities	10,990	3,797
<b>Total income (loss) for the period</b>	<b>\$ 576,862</b>	<b>\$ (136,334)</b>

During the current period, the Company incurred higher corporate overhead expenses compared to prior period due to increased activity in relation to the sale of the Big Bear and Nechako properties. These expenses include accounting and audit fees which increased by \$11,956 legal and corporate services and management services which increased by \$38,805 and \$33,853 respectively.

Finance revenue includes \$6,842 of interest accrued on the Companies Guaranteed Investment Certificate and \$1,334 related to interest gain on the redeemed reclamation bond. A gain on sale of Big Bear and Nechako projects of \$726,128 and a gain on sale of marketable securities of \$10,990 were recognized.

*Investor Relations Activities*

During the period ended November 30, 2017, the Company responded directly to investor inquiries.

*Financings, Principal Purposes & Milestones*

During the period ended November 30, 2017, the Company did not have any financings.

**1.5 Summary of Quarterly Results**

The following is a summary of the Company's financial results for the most recent eight quarterly periods completed:

	Q2 <u>30-Nov-17</u>	Q1 <u>31-Aug-17</u>	Q4 <u>31-May-17</u>	Q3 <u>28-Feb-17</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net (Gain) Loss:				
Total	\$ 61,099	\$ (637,961)	\$ 173,473	\$ 44,420
Per share – basic and fully diluted loss – post consolidation	\$ 0.00	\$ (0.04)	\$ 0.02	\$ 0.00

	Q2 <u>30-Nov-16</u>	Q1 <u>31-Aug-16</u>	Q4 <u>31-May-16</u>	Q3 <u>29-Feb-16</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 92,043	\$ 44,291	\$ 90,506	\$ 20,648
Per share – basic and fully diluted loss – post consolidation	\$ 0.00	\$ 0.00	\$ 0.02	\$ 0.00

*Discussion*

For the discussion of results for the period ended November 30, 2017, see Section 1.4 *Results of Operations*.

**1.6 Liquidity and Capital Resources**

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to generate significant income in the foreseeable future.

As at November 30, 2017, the Company had \$2,482,302 in cash and a working capital of \$2,492,474. The Company has sufficient cash resources to meet its immediate obligations for at least twelve months from

the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares and loans from related parties in the past, if management believes that additional funds are required, there is no assurance it will be able to raise funds in this manner in the future.

Management has estimated that the Company's existing working capital is adequate to meet corporate, development, administrative and property obligations for the coming year.

### 1.7 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed or to which the Company is a party.

### 1.8 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties:

<u>For the period ended November 30,</u>	<u>2017</u>	<u>2016</u>
Accounting fees	\$ 3,000	\$ -
Legal fees	500	3,000
Management services	50,000	30,000
Office, rent and administration	6,500	6,000
Shareholder Communication	500	-
<u>Total</u>	<u>\$ 60,500</u>	<u>\$ 39,000</u>

During the period ended November 30, 2017, the Company incurred expenses of \$60,500 (November 30, 2016 - \$39,000) from companies controlled by directors and officers of the Company.

Included in accounts payable at November 30, 2017 is \$25,625 (May 31, 2017: \$155,125) due to directors of the Company and to a company controlled by a director. These balances are in respect of management activities and reimbursable expenses.

### 1.9 Critical Accounting Estimates

#### a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

#### b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Functional Currency

The functional currency for the Company and the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency of the parent is the Canadian Dollar ("CAD") and the functional currency of the subsidiary is the Mexican Peso ("MXP"). Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

**1.10 Changes in Accounting Policies and upcoming policies not yet effective**

N/A

**1.11 Second Quarter**

The second quarter November 30, 2017 results differ from the previous quarter due to increased activity at the head office and the gain in respect of the sale of all of the Company's interest in the Big Bear and Nechako properties to New Gold. See Review discussion in Section 1.5 – Results of Operations.

**1.12 Financial and Other Instruments**

a) Interest Rate Risk

The Company's cash and cash equivalents earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2017. Future cash flows from interest income on cash and reclamation deposit will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at November 30, 2017, is \$2,482,302. Cash and GIC are held at a chartered Canadian financial institution, accordingly management believes credit risk is minimal.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient



readily available reserves in order to meet its liquidity requirements. As at May 31, 2017, the Company was holding cash of \$2,482,302. The Company's trade and other payables are due in the short term. As at November 30, 2017, the Company had a working capital of \$2,292,457, exclusive of assets held for sale. The Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. *See Section 1.6 - Liquidity and Capital Resources.*

### **1.13 Proposed Transaction**

The Company entered into a binding letter agreement whereby it will engage a third party to host cryptocurrency mining activities on behalf of the Company. *See Section 1.2 – Recent Events.*

### **1.14 Other**

N/A

#### **1.14.1 Disclosure of Outstanding Share Capital as at March 1, 2018:**

See *Section 1.2 - Recent Events* for terms of additional 5,100,000 Subscription Receipts issued at \$0.15, which are convertible into Units of the Company, contingent upon completion of the proposed transactions and change of business. These Units include ½ warrant per Unit exercisable at \$0.25 per whole warrant for a period of 12 months from date of issuance. The Company also issued 278,699 broker warrants in conjunction with this financing on the same terms as the Unit warrants.

	Number	Book Value
Common Shares	14,936,265	\$ 5,686,592

The Company has the following outstanding warrants exercisable to purchase one common share for each warrant held:

Number of Warrants	Exercise Price	Expiry Date
703,889	\$0.20	August 2, 2018
436,278	\$0.20	October 4, 2018
360,000	\$0.20	April 20, 2019
1,520,000	\$0.30	December 7, 2021
3,020,167	\$0.25	

#### **1.14.2 Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.