

IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

(Formerly Parlane Resource Corp.)

MANAGEMENT'S DISCUSSION & ANALYSIS For the period ended February 29, 2020

Directors and Officers as at April 22, 2020

Directors:

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TSX Venture Exchange Symbol: IMIN-V

IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended February 29, 2020

1.1 Date of This Report

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of iMining Blockchain and Cryptocurrency Inc. (Formerly Parlane Resource Corp.) (the "Company" or "iMining") for the period ended February 29, 2020. 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.

This MD&A is prepared as of April 22, 2020.

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 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 of cryptocurrencies, operational 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 statement, except as, and to the extent, required by applicable securities laws. The forward-looking statements contained in this MD&A is expressly qualified by this cautionary statement.

1.2 Recent Activity

N/A

1.3 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 completed a change of business transaction on the TSX Venture Exchange (the “Exchange”) (see Section 1.4.1 *Cryptocurrency Mining* below) on April 17, 2018 and changed its name from Parlane Resource Corp. to iMining Blockchain and Cryptocurrency Inc. The Company is listed on the Exchange, having the symbol IMIN-V as a Tier 2 issuer and is a blockchain and cryptocurrency company (see also www.sedar.com for the Company’s Filing Statement filed on April 6, 2018).

1.4 Selected Annual Information

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

	May 31, 2019	May 31, 2018	May 31, 2017
(a) Revenues	\$ 304,420	\$ 28,526	\$ -
(b) Total other income (losses)	(896,536)	796,485	9,001
(c) Total expenses	(337,021)	(534,137)	(363,228)
(d) Net profit/ (loss)	(3,985,447)	192,959	(354,227)
(e) Income (loss) per share			
– basic and diluted	(0.14)	0.01	(0.03)
(f) Total assets	806,180	4,718,034	2,222,468
(g) Total long-term liabilities	Nil	Nil	Nil
(h) Cash dividends declared per share	Nil	Nil	Nil

1.5 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the February 29, 2020 unaudited financial statements of the Company and notes attached thereto.

1.5.1 Cryptocurrency Mining

On January 9, 2018, the Company entered into a binding letter of intent (“Agreement”) to purchase cryptocurrency mining rigs and engaged a third party to host cryptocurrency mining activities on behalf of the Company.

Pursuant to the Agreement, the Company acquired 500 S9 Antminer mining rigs at a cost of US\$2,000,000 and engaged a company (the “Provider”) to set-up, host and operate the cryptocurrency mining activities. The Provider received (i) 6,000,000 shares of the Company (the “Payment Shares”), and (ii) 10% of all net profits generated by the mining activities. The Company is responsible for all operating costs, expected 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 above transactions constituted a Change of Business (“COB”) for the Company, as such term is defined in Exchange policies, in that the Company is mining for cryptocurrencies rather than exploring for minerals. Consequently, the Company halted trading of its common shares from January 10, 2018 until April 20, 2018, upon receiving Exchange approval for the change of business pursuant to completing a Filing Statement on April 6, 2018 (www.sedar.com).

In conjunction with the COB, the Company also acquired the intellectual property rights to the “iMining” brand, including worldwide tradename, trademarks, and URL site. The cost to acquire these rights was \$610,000, subsequently paid as to \$250,000 in cash and 2,000,000 shares of the Company at a fair value of \$0.18 per share. The Company changed its name to reflect the change in business focus accordingly.

The Company commenced operations of this business in May 2018 and, as a result, realized revenue from the production of Bitcoins commencing May 24, 2018. In October 2018, management determined that, due to the declining market prices of the Bitcoin cryptocurrency, we would suspend operations of the cryptocurrency mining rigs until such time as the market price of Bitcoins improved. The suspension was made with the support of the hosting company. By February 2019, management determined that, due to the fact that the data centre equipment had been dormant since the second quarter, this equipment had no value as cryptocurrency mining rigs. As a result, the value of this equipment was written down to \$1 and the write off of \$826,970 plus the prepaid deposits on the contract of \$72,109 were written off for a total write down loss of \$899,079, which was recorded in profit or loss for the year ended May 31, 2019.

Future Farm Letter of Intent

The Company signed a non-binding Letter of Intent (“LOI”) with Future Farm Developments Ltd., (“Future Farm”) for iMining to acquire all of Future Farm’s interests in its crypto-mining facility near Merritt, British Columbia, in consideration of iMining paying US\$75,000 and issuing 10,000,000 common shares.

Due to current market conditions which have posed difficulties in closing the financing that was part and parcel of the proposed acquisition, the Company and Future Farms have mutually agreed to terminate the LOI entered into in October 2019. In accordance with the terms of the LOI, the initial payment of US\$75,000 to Future Farms is refundable.

1.6 Results of Operations

The expenses and other items relating to the loss for the period ending February 29, 2020 of \$122,275 and for the loss for the comparative period ended February 29, 2019 of \$3,986,783 are as follows:

For the nine months ended February 29,	2020	2019	Variance
Revenue	\$ -	\$ 304,420	\$ (304,420)
Operating and maintenance cost	-	(289,973)	289,973
Depreciation	-	(2,706,450)	2,706,450
Gross Loss	-	(2,692,003)	2,692,003
Revaluation of digital currencies loss	-	(94,387)	94,387
<i>Expenses:</i>			
Accounting and audit fees	(13,208)	(4,800)	(8,408)
Foreign exchange gain (loss)	(2,913)	4,955	(7,868)
Legal and corporate services	(18,182)	(20,888)	2,706
Finance cost	(481)	(128)	(353)
Management services	(49,157)	(53,181)	4,024
Consulting fees	(1,124)	(31,500)	30,376
Office, rent and administration	(16,216)	(124,590)	108,374
Shareholder communications	(4,072)	(66,719)	62,647
Transfer agent and filing fees	(16,922)	(7,006)	(9,916)
Total Expenses	(122,275)	(303,857)	181,582
<i>Other gains/ (loss):</i>			
Write off data centre equipment	-	(899,079)	899,079
Income tax credit	-	2,543	(2,543)
Total other loss	-	(896,536)	896,536
Net loss for the period	\$ (122,275)	\$ (3,986,783)	\$ 3,864,508

The Company commenced operations of its Cryptocurrency Mining business in May 2018 and, as a result, realized revenue from the production of Bitcoins commencing May 24, 2018 until October 2018 when operations were suspended and the final inventoried Bitcoins were sold in April, 2019.

During the current period, the Company incurred lower corporate overhead expenses, compared to the comparative period, largely due to reduced operations upon suspension of the cryptocurrency mining rigs in October, 2018, resulting in no revenues and cost of sales for cryptocurrency mining in the current period. The cryptocurrency equipment was completely depreciated or written off in the prior year ended May 31, 2019 and therefore there are no related expenses for this in the current period. Of the remaining expenses, the most significant decrease was due to the cost of a shareholder communication media project with a cost of \$51,000 incurred in the prior period ended February 29, 2019. In addition, rent has decreased significantly as the Company sublet the lease on the head office, which was subsequently terminated as of February 29, 2020.

Investor Relations Activities

During the period ended February 29, 2020, the Company responded directly to investor inquiries.

1.7 Summary of Quarterly Results

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

	Q3 <u>29-Feb-20</u>	Q2 <u>30-Nov-19</u>	Q1 <u>31-Aug-19</u>	Q4 <u>31-May-19</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Gain (Loss):				
Total	\$ (30,948)	\$ (46,333)	\$ (44,994)	\$ 1,336
Per share – basic and fully diluted gain (loss) – post consolidation	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00

	Q3 <u>28-Feb-19</u>	Q2 <u>30-Nov-18</u>	Q1 <u>31-Aug-18</u>	Q4 <u>31-May-18</u>
Total Revenue:	\$ -	\$ 56,043	\$ 248,377	\$ 28,526
Net Loss:				
Total	\$ (1,877,566)	\$ (1,004,003)	\$ (1,105,214)	\$ (340,957)
Per share – basic and fully diluted (loss) – post consolidation	\$ (0.06)	\$ (0.03)	\$ (0.01)	\$ (0.03)

Discussion

For the discussion of results for the period ended February 28, 2020, see Section 1.4 *Results of Operations*.

1.8 Liquidity and Capital Resources

In management’s view, given the nature of the operations, 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 operate its cryptocurrency mining operations. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

As at February 29, 2020, the Company had \$1,385 in cash and a working capital deficit of \$125,151. 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.

During the year ended May 31, 2019, the Company suspended operation of its 500 S9 Antminer mining rigs due to the market downturn in cryptocurrency values with the cooperation of the Provider. Management will assess whether reactivation of the mining rigs is warranted based on market conditions in the future and based on the remaining term of the contract with the Provider as negotiated. Under the terms of the agreement, the Company was incurring approximately US\$55,000 per month in operating costs offset by the value of cryptocurrency mined for 24 months to May, 2020. The remaining term will be subject to negotiation with the Provider.

1.9 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.

1.10 Transactions with Related Parties

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

For the period ended February 29,	2020	2019
Accounting fees	\$ 4,500	\$ 4,500
Legal fees	-	2,000
Management services	45,000	45,000
Office, rent and administration	9,000	11,000
Shareholder Communication	-	2,000
Total	\$ 58,500	\$ 64,500

During the period ended February 29, 2020, the Company incurred expenses of \$58,500 (February 29, 2019 - \$64,500) from directors and from companies controlled by directors and officers of the Company.

Included in accounts payable at February 29, 2020 is \$199,571 (May 31, 2019: \$125,750) 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.

1.11 Critical Accounting Estimates

Functional Currency

Digital currencies consist of cryptocurrency denominated assets such as Bitcoin and are considered current assets. Digital currencies are carried at their fair market value determined by an average spot rate of the most liquid digital currency exchanges.

Classification and valuation of digital currencies

The Company's determination to classify its holding of digital currencies as current assets is based on management's assessment that its digital currencies held can be considered to be commodities, the availability of liquid markets to which the Company may sell a portion of its holdings and that the Company is actively selling its digital currencies in the near future to generate a profit from price fluctuations.

The digital currency market is a new market and is highly volatile; historical prices are not necessarily indicative of future value and a significant change in the market prices would have a significant impact on the carrying value of digital assets and on the Company's earnings and financial position.

Revenue recognition

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the mining and strategic selling of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. Management has examined various factors surrounding the substance of the Company's operations, including the stage of completion being the completion and addition of a block to a blockchain and the reliability of the measurement of the digital currency received. When the IASB enacts guidance for cryptocurrencies, the Company may be required to changes its policies which could result in a significant impact to the Company's financial statements.

Depreciation

Depreciation of computing equipment is an estimate of its expected life. In order to determine the useful life of computing equipment, assumptions are required about a range of computing industry market and economic factors, including required hashrates, technological changes, availability of hardware and other inputs, and production costs. The Company depreciates the cost of data equipment over its estimated useful life of one year, using the straight line method.

1.12 Changes in Accounting Policies and upcoming policies not yet effective

The following accounting standard has been amended but and is effective. The Company did not early adopt this amended standard. The Company continues to evaluate the new standard:

IFRS 16 – Leases – effective for annual periods beginning on or after January 1, 2019.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.13 Third Quarter

The third quarter February 29, 2020 results differ from the previous quarter due to the mining of cryptocurrencies and the decision to suspend crypto-currency mining operations. See Review discussion in Section 1.6 – *Results of Operations* and Section 1.5.1 – *Cryptocurrency Mining*.

1.14 Financial and Other Instruments

a) Interest Rate Risk

The Company's cash 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 February 29, 2020. Future cash flows from interest income on cash 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 February 29, 2020 is \$1,385 and amounts receivable balance of \$12,774. Cash is held at a chartered Canadian financial institution, therefore 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 February 29, 2020 the Company was holding cash of \$1,385. The Company's trade and other payables are due in the short term. As at February 29, 2020, the Company had a working capital deficit of \$125,151. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year.

1.15 Disclosure of Outstanding Share Capital as at April 22, 2020:

	Number	Book Value
Common Shares	29,086,265	\$ 8,199,713

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

Number of Warrants	Exercise Price	Expiry Date
520,000	\$0.30	December 7, 2021

During the period ended February 29, 2020, 382,700 options expired unexercised.

1.16 Approval

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