

Form 51-102-F1

# IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

(Formerly Parlane Resource Corp.)

## MANAGEMENT'S DISCUSSION & ANALYSIS For the period ended February 28, 2019

Directors and Officers as at April 29, 2019

Directors:

Robert Eadie  
Gary Arca  
Anders Nilsson  
Tanya Lutzke

Officers:

President & Chief Executive Officer – Robert Eadie  
Chief Financial Officer & Corporate Secretary – Gary Arca

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TSX Venture Exchange Symbol:	IMIN-V
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# IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended February 28, 2019

### 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 28, 2019. 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 April 29, 2019.

*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, 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.*

### Recent Activity

The Company has suspended operation of its 500 S9 Antminer mining rigs due to the market downturn in cryptocurrency values, and specifically BTC prices in recent months, as the BTC market price is below breakeven production cost of the BTC. Operation of the rigs will commence when management determines the mining activity is profitable as a result of improved BTC price and/or cost reduction measures. In the current quarter ended February 28, 2019, Management has determined that due to the declining market price of the Bitcoin cryptocurrency, the Data Centre Equipment has no value as mining rigs.

As a result, the value of this equipment has been written down to \$1 and the write off of \$899,079 has been recorded in the comprehensive statement of loss.

## 1.2 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 *Change of Business to Mining of Cryptocurrency* 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](http://www.sedar.com) for the Company’s Filing Statement filed on April 6, 2018).

## 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, 2018	May 31, 2017	May 31, 2016
(a) Revenues	\$ 28,526	\$ -	\$ -
(b) Total other income (losses)	796,485	9,001	(80,300)
(c) Total expenses	(534,137)	(363,228)	(101,746)
(d) Net profit/ (loss)	192,959	(354,227)	(182,046)
(e) Income (loss) per share			
– basic and diluted	0.01	(0.03)	(0.02)
(f) Total assets	4,718,034	2,222,468	1,676,174
(g) Total long-term liabilities	Nil	Nil	80,064
(h) 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 February 28, 2019 unaudited financial statements of the Company and notes attached thereto.

### 1.4.1 Change of business to mining of 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 shares of the Company issued to the Provider are subject to resale restrictions such that 75% have been released during the period and 25% are restricted for 18 months.

This transaction constituted a Change of Business (“COB”) for the Company, as such term is defined in Exchange policies, in that the Company is now involved in 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](http://www.sedar.com) ).

The Company had approximately \$2,500,000 of cash resources and raised an additional \$765,000 to finance the transactions outlined above. To that end, the Company completed a non-brokered financing and issued 5,100,000 Subscription Receipts (the “Receipts”) at \$0.15 per Receipt; each Receipt was converted at no additional cost into Units of the Company. Each Unit is 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.

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.

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.

#### **1.4.2 Property Activity**

##### **Big Bear Project**

During the year ended May 31, 2018 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 was received and a gain of \$726,128 is reported in profit or loss.

##### **Bearcat Project**

The Company acquired through staking the Bearcat property 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. Due to the change in the Company’s business as outlined above under section 1.4.1, the claims were allowed to expire on September 5, 2018 and the costs of \$3,057 related to this property were written off.

## 1.5 Results of Operations

The expenses and other items relating to the loss for the period ending February 28, 2019 of \$3,986,783 and for the net income of the comparative period ended February 28, 2018 of \$533,916 are as follows:

For the nine months ended February 28,	2019	2018	Variance
Revenue	\$ 304,420	\$ -	\$ 304,420
Operating and maintenance cost	(289,973)	-	(289,973)
Depreciation	(2,706,450)	-	(2,706,450)
<b>Gross Loss</b>	<b>(2,692,003)</b>	-	<b>(2,692,003)</b>
Revaluation of digital currencies loss	(94,387)	-	(94,387)
<i>Expenses:</i>			
Accounting and audit fees	(4,800)	(16,206)	11,406
Foreign exchange gain	4,955	261	4,694
Legal and corporate services	(20,888)	(84,900)	64,012
Finance revenue/ (expense)	(128)	13,320	(13,448)
Management services	(53,181)	(104,766)	51,585
Consulting fees	(31,500)	-	(31,500)
Office, rent and administration	(124,590)	(38,952)	(85,638)
Shareholder communications	(66,719)	(13,970)	(52,749)
Transfer agent and filing fees	(7,006)	(23,526)	16,520
<b>Total Expenses</b>	<b>(303,857)</b>	<b>(268,739)</b>	<b>(35,118)</b>
<i>Other gains:</i>			
Write off data centre equipment	(899,079)	-	(899,079)
Gain on sale of Big Bear and Nechako	-	726,128	(726,128)
Gain on investment	-	10,990	(10,990)
Gain on sale of subsidiary	-	65,537	(65,537)
Income tax credit	2,543	-	2,543
<b>Total other gains</b>	<b>(896,536)</b>	<b>802,655</b>	<b>(1,699,191)</b>
<b>Net income (loss) for the period</b>	<b>\$ (3,986,783)</b>	<b>\$ 533,916</b>	<b>\$ (4,520,699)</b>

In January 2018, the Company entered into an agreement to acquire cryptocurrency mining assets (see Section 1.4.1 *Change of Business to Mining of Cryptocurrency*) (“COB”) which was completed in May, 2018. The Company commenced operations of this business on May 24, 2018 and, as a result, realized revenue from the production of Bitcoins. The operations above record the production from the cryptocurrency mining operations as revenue of \$304,420 offset by the cash costs of production of \$289,973 and depreciation of the cryptocurrency mining assets of \$2,706,450. The inventory of Bitcoins that were unsold were revalued at fair market value as at February 28, 2019 to record a loss of \$94,387.

During the current period, the Company incurred higher corporate overhead expenses compared to the comparative period, largely due a shareholder communication media project with a cost of \$51,000. In addition, rent has increased significantly as the Company has entered into a commercial sublease agreement for the head office. As of December 16, 2018, this commercial subleased space was subleased to a third party to entirely offset the cost of the lease through to expiry in June 2020. These increases in costs were offset by

a decrease in legal and corporate services incurred in the prior year quarter related to the sale of the Big Bear property and to lower management services costs related to the property sale and related activity.

#### *Investor Relations Activities*

During the period ended February 28, 2019, the Company responded directly to investor inquiries.

#### *Financings, Principal Purposes & Milestones*

N/A

### **1.6 Summary of Quarterly Results**

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

	Q3 <u>28-Feb-19</u>	Q2 <u>30-Nov-18</u>	Q1 <u>31-August-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)

	Q3 <u>28-Feb-18</u>	Q2 <u>30-Nov-17</u>	Q1 <u>31-August-17</u>	Q4 <u>31-May-17</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Gain (Loss):				
Total	\$ (42,946)	\$ (61,099)	\$ 637,961	\$ (173,473)
Per share – basic and fully diluted gain (loss) – post consolidation	\$ (0.00)	\$ (0.00)	\$ 0.04	\$ (0.02)

#### *Discussion*

For the discussion of results for the period ended February 28, 2019, see Section 1.4 *Results of Operations*.

### **1.7 Liquidity and Capital Resources**

In management's view, given the nature of the operations under the COB, 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 profitably. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. See *section 1.1 - Recent Activity* for discussion of suspended operations.

As at February 28, 2019, the Company had \$41,096 in cash (May 31, 2018 - \$124,774) and a working capital deficit of \$(7,069) (May 31, 2018 - \$447,893). 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.

### 1.8 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.

### 1.9 Transactions with Related Parties

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

<u>For the period ended February 28,</u>	<u>2019</u>	<u>2018</u>
Accounting fees	\$ 4,500	\$ 4,500
Legal fees	2,000	500
Management services	45,000	65,000
Office, rent and administration	11,000	9,500
Shareholder Communication	2,000	500
<b>Total</b>	<b>\$ 64,500</b>	<b>\$ 80,000</b>

During the period ended February 28, 2019, the Company incurred expenses of \$64,500 (February 28, 2018 - \$80,000) from companies controlled by directors and officers of the Company.

Included in accounts payable at February 28, 2019 is \$102,500 (May 31, 2018: \$56,375) 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.

Also, included in accounts payable at February 28, 2019 is \$3,000 (May 31, 2018: \$Nil) payable to a public company with directors in common for rent and accounting services.

### 1.10 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.

#### **1.11 Changes in Accounting Policies and upcoming policies not yet effective**

N/A

#### **1.12 Third Quarter**

The third quarter February 28, 2019 results are similar to the previous quarter as the Company has continued to suspend the operation of its 500 S9 Antminer mining rigs due to the market downtown in cryptocurrency values. This has resulted in a decrease in revenue and cost of sales respectively. See Review discussion in Section 1.5 – *Results of Operations* and Section 1.4.1 - *Change of Business to mine of Cryptocurrency*.

#### **1.13 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 28, 2019. 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 28, 2019 is \$41,096 (May 31, 2018 - \$124,774) and amounts receivable balance of \$22,057 (May 31, 2018 - \$116,485) with \$14,211 relating to the remaining balance regarding sale of Minera Mexicana. Cash is held at a chartered Canadian financial institution, and there is a sale agreement in relation to the sale of Minera Mexicana signed by both parties, 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 28, 2019 the Company was holding cash of \$41,096 (May 31, 2018 - \$124,774). The Company's trade and other payables are due in the short term. As at February 28, 2019, the Company had a working capital deficit of \$(7,069) (May 31, 2018 - \$447,893). The Company has sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting year.

**1.14 Disclosure of Outstanding Share Capital as at April 29, 2019:**

	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
382,700	\$0.20	October 4, 2019
520,000	\$0.30	December 7, 2021
902,700	\$0.26	

**1.15 Approval**

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