

IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended May 31, 2019

Directors and Officers as at September 30, 2019

Directors:

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Officers:

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TSX Venture Exchange Symbol: IMIN-V

IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended May 31, 2019

1.1 Date of This Report

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of iMining Blockchain and Cryptocurrency Inc. (the "Company" or "iMining") for the years ended May 31, 2019 and 2018. 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 consolidated 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 September 30, 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.

1.2 **Recent Activity**

The Company announced a non-brokered financing on June 26, 2019. The financing proposed to raise up to \$2,500,000 by way of convertible debentures (the “Debenture”), bearing interest at 5.0% per annum, calculated annually maturing 24 months from the date of issue. At maturity, any portion of the Debenture remaining unpaid must be converted into units of iMining priced at \$0.10 per Unit, each Unit comprised of one common share and one warrant. Each Warrant is exercisable for a period of two years from the date of issue and entitled the holder to purchase one common share of iMining at \$0.14 per share.

On September 20, 2019, the Company reported that it would not be proceeding with the financing.

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 1.5.1 *Cryptocurrency Mining Operations* 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 as 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 May 31, 2019 audited consolidated financial statements of the Company and notes attached thereto.

1.5.1 Cryptocurrency Mining Operations

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 until October 20, 2019.

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 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).

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 for a total write down loss of \$899,079 has been recorded in profit or loss.

1.5.2 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 \$723,015 is reported in profit or loss.

Bearcat Project

The Company acquired through staking the Bearcat property in January 2015. Due to the change in the Company’s business as outlined above under section 1.5.1, the claims were allowed to expire on September 5, 2018 and the costs of \$3,057 related to this property were written off.

1.6 Results of Operations

The expenses and other items relating to the net loss for the year ended May 31, 2019 of \$3,985,447 and for the net income of the comparative year ended May 31, 2018 of \$192,959 are as follows:

For the year ended May 31,	2019	2018	Variance
Revenue	\$ 304,420	\$ 28,526	\$ 275,894
Operating and maintenance cost	(291,312)	(23,332)	(267,980)
Depreciation	(2,706,450)	(75,179)	(2,631,271)
Gross Loss	(2,693,342)	(69,985)	(2,623,357)
Revaluation of digital currencies gain (loss)	(58,548)	596	(59,144)
<i>Expenses:</i>			
Accounting and audit fees	(15,300)	(39,234)	23,934
Foreign exchange gain	7,933	20,904	(12,971)
Legal and corporate services	(22,389)	(186,546)	164,157
Finance revenue (costs)	(264)	20,318	(20,582)
Management services	(69,069)	(127,137)	58,068
Consulting fees	(31,500)	-	(31,500)
Office, rent and administration	(131,360)	(116,658)	(14,702)
Shareholder communications	(67,054)	(58,983)	(8,071)
Transfer agent and filing fees	(8,008)	(46,801)	38,793)
Total Expenses	(337,021)	(534,137)	197,116
<i>Other gains/ (loss):</i>			
Gain on sale of Big Bear and Nechako	-	723,015	(723,015)
Gain on sale of subsidiary	-	65,537	(65,537)
Gain on sale of marketable securities	-	10,990	(10,990)
CRA tax credit	2,543	-	2,543
Write-off of data centre equipment	(899,079)	-	(899,079)
Write-off of mineral properties	-	(3,057)	3,057
Total other gains (loss)	(896,536)	796,485	(1,693,021)
Net income (loss) for the year	\$ (3,985,447)	\$ 192,959	\$ (4,178,406)

In January 2018, the Company entered into an agreement to acquire cryptocurrency mining assets (see Section 1.5.1 *Cryptocurrency Mining Operations*) which was completed in May, 2018. 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 until October 2019 when operations were suspended. The operations above record the production from the cryptocurrency mining operations as revenue of \$304,420 offset by the cash costs of production of \$291,312 and depreciation of the cryptocurrency mining assets of \$2,706,450. The inventory of Bitcoins that were sold were revalued at fair market value to record a further loss of \$58,548.

During the current year, the Company incurred lower corporate overhead expenses compared to prior year due to legal, professional, management and consulting costs in relation to the sale of the Big Bear and Nechako properties in the previous year. In addition, in January 2018, the Company entered into an agreement to acquire cryptocurrency mining assets and incurred costs associated with the agreements relating to the COB and additional regulatory fees, accordingly.

The Company wrote off the data centre equipment for \$899,079 in the current year, management has determined that it has no value as mining rigs due to the declining market price of the Bitcoin cryptocurrency.

Investor Relations Activities

During the year ended May 31, 2019, 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:

	Q4 <u>31-May-19</u>	Q3 <u>28-Feb-19</u>	Q2 <u>30-Nov-18</u>	Q1 <u>31-Aug-18</u>
Total Revenue:	\$ -	\$ -	\$ 56,043	\$ 248,377
Net Gain (Loss):				
Total	\$ 1,336	\$ (1,877,566)	\$ (1,004,003)	\$ (1,105,214)
Per share – basic and fully diluted gain (loss) – post consolidation	\$ 0.00	\$ (0.06)	\$ (0.03)	\$ (0.01)
	<u>31-May-18</u>	<u>28-Feb-18</u>	<u>30-Nov-17</u>	<u>31-August-17</u>
Total Revenue:	\$ 28,526	\$ -	\$ -	\$ -
Net Gain (Loss):				
Total	\$ (340,957)	\$ (42,946)	\$ (61,099)	\$ 637,961
Per share – basic and fully diluted (loss) – post consolidation	\$ (0.03)	\$ (0.00)	\$ (0.00)	\$ 0.04

Discussion

For the discussion of results for the year ended May 31, 2019, see Section 1.5 *Results of Operations*.

1.8 Liquidity, Capital Resources and Commitments

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.

As at May 31, 2019, the Company had \$169,062 in cash and a working capital deficit of \$5,159. 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.

Effective June 15, 2018, the Company entered into a commercial sublease agreement. The sublease agreement is for an initial term expiring on June 1, 2020. The Company's commitment for basic rent amounts payable for years 2020 and 2021 are \$103,470 and \$8,623 respectively. The Company has sublet rental space to the end of the term of their lease to fully offset the commercial office space cost. The sublet period commenced December 15, 2018 to June 1, 2020, the end of the lease commitment period.

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 year ended May 31,	2019	2018
Accounting fees	\$ 6,000	\$ 6,000
Legal fees	-	500
Management services	60,000	80,000
Office, rent and administration	14,000	12,500
Shareholder Communication	2,000	500
Total	\$ 82,000	\$ 99,500

During the year ended May 31, 2019, the Company incurred expenses of \$82,000 (May 31, 2018 - \$99,500) from companies controlled by directors and officers of the Company.

Included in accounts payable at May 31, 2019 is \$117,875 (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 May 31, 2019 is \$7,875 (May 31, 2018: \$Nil) payable to a public company with directors in common for rent and accounting services.

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 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 consolidated 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 issued or amended but is not yet effective. The Company has not early adopted this new and 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 Fourth Quarter

The fourth quarter May 31, 2019 results differ from the previous quarter due to the COB to mining cryptocurrencies and decision to suspend crypto-currency mining operations in quarter 2. See Review discussion in Section 1.5 – *Results of Operations* and Section 1.5.1 – *Cryptocurrency Mining Operations*.

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 May 31, 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 May 31, 2019 is \$169,062 and amounts receivable balance of \$8,518. 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 May 31, 2019 the Company was holding cash of \$169,062. The Company's trade and other payables are due in the short term. As at May 31, 2019, the Company had a working capital deficit of \$5,159. 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 September 30, 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	

On September 13, 2018 the Company extended the expiry of 382,700 warrants due to expire October 4, 2018, to October 4, 2019. On August 2, 2018, and October 4, 2018, 653,889 warrants and 53,578 warrants expired unexercised, respectively. On April 17 and 20, 2019, 3,188,699 warrants 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.