

# IMINING BLOCKCHAIN AND CRYPTOCURRENCY INC.

## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended February 28, 2021

Directors and Officers as at April 23, 2021

Directors:

Robert Eadie  
Gary Arca  
Anders Nilsson  
Tanya Lutzke  
Saleem Moosa

Officers:

President and CEO – Robert Eadie  
CFO & Corporate Secretary – Gary Arca

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TSX Venture Exchange Symbol:	IMIN-V
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## MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended February 28, 2021

### 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. (the "Company" or "iMining") for the period ended February 28, 2021. 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 23, 2021.

*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.*

In March 2020 the World Health Organization declared coronavirus **COVID-19** a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

## **1.2 Recent Activities**

### **I. Acquisition and Financing**

On January 11, 2021, the Company announced it was cancelling its proposed change of business announced in October 2020, which involved the acquisition of a 100% interest in various gold and silver properties in New South Wales, Australia.

As the Company returned to pursue its original business plan in the blockchain and cryptocurrency industry, it negotiated and entered into a letter agreement dated February 2, 2021, with CanETH Staking Services Inc., a private Ontario corporation (“CanETH”), to acquire all the issued and outstanding securities of CanETH. Pursuant to the TSX Venture Exchange (“TSXV”) confirmation that the Company has met the required filing requirements for the proposed acquisition of CanETH, the Company has completed the Acquisition and the accompanying private placement of \$2.155 million.

#### **Terms of the Agreement**

Effective March 22, 2021, the Company issued 28,000,000 common shares in the capital of the Company to the shareholders of CanETH, in exchange for acquiring all of the outstanding shares of CanETH, such that CanETH became a wholly owned subsidiary of iMining. No new control block was created as a result of the Acquisition. Shareholders of CanETH that held a minimum of 5% of the outstanding shares prior to the Acquisition, along with certain directors of the Company, have entered into voluntary lock-up agreements pursuant to which they will not sell, transfer or pledge 50% of their Shares prior to July 5, 2021, which affects approximately 8,870,000 Shares. As a result of the Acquisition, CanETH has become the first publicly listed Ethereum 2.0 Staking Service in North America.

#### **Private Placement**

Prior to closing, the Company issued 17,240,000 subscription receipts at \$0.125 per receipt for proceeds of \$2,155,000, which were held in trust pursuant to the completion of the acquisition. Upon closing, the subscription receipts automatically converted into an equivalent number of units (“Unit”), with each Unit being comprised of one common share and one-half of one common share purchase warrant (“Warrant”). Each whole Warrant entitles the holder to purchase one common share of the Company for \$0.245 for a period of two years following the closing date of the receipt of funds, provided that, if after four months and one day, the closing price of iMining’s Shares is equal to or greater than \$0.45 per Share for 20 consecutive trading days, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice. All securities issued in connection with the Receipts are subject to a hold period expiring on July 5, 2021.

Aggregate compensations of \$135,187.50 and 1,081,500 finders’ warrants (having the same general terms as the Warrants forming part of the Units) were paid by the Company to Canaccord Genuity Corp., and First Republic Capital Corporation and their selling groups as finders’ fees and commissions for that portion of the Financing attributable to their efforts. The finders’ warrants are subject to a hold period, expiring on July 23, 2021.

#### **Business of CanETH**

CanETH Staking Services is a Canadian-based company offering a staking solution for Ethereum 2.0, providing clients with a simplified on-ramp to participate in the ETH 2.0 Proof of Stake movement. Incorporating a proprietary, best-in-class staking process, CanETH ensures robust security, reliability and scalability; while removing the technical complexity of deploying and managing validators.

## **New Director**

Also, upon closing, Saleem Moosa was appointed a director of the Company. Mr. Moosa is Chief Financial Officer of CanETH with over 12 years of international experience in the finance sector. Mr. Moosa started at a Middle East investment bank where he was involved in cross-border mergers and acquisition transactions, restructuring mandates and equity raising projects.

## **II. iMining launches fractional staking to enable retail investors to participate in Ethereum 2.0's proof-of-stake mining**

In April 2021, CanETH has launched its fractional staking pool product. "This is a huge win, allowing more people to earn returns from Ethereum ("ETH"), as investors can participate with as little as 1 ETH and earn returns from their investment," said Robert Eadie, President and CEO of iMining.

This Fractional Staking Pool enables more retail investors to partake in Ethereum 2.0 staking, opening up the market to those looking to invest smaller amounts with CanETH's proprietary Staking Services.

"CanETH's Fractional Staking Pool allows us to assist more 'everyday' investors, particularly those who currently aren't able to invest 32 ETH," explains Daren Tung, CEO of CanETH. "As the price of Ethereum continues to increase, it is exciting to level out the playing field, and allow more users to stake with us and benefit from the growth in Ethereum 2.0."

CanETH has simplified the Fractional Staking Pool process by taking control of the complex technical aspects of the setup and management for its users and ensuring maximum uptime and returns. Participants can join the pool with a minimum of 1 ETH and may earn a return of their investment in the form of staking rewards. To date, ETH 2.0 Staking rewards have been performing at 8% along with a 404% increase in ETH in the last 6 months. To participate, investors can register at <https://caneth.com/stake-with-us>

CanETH's validators are maintaining 99% efficiency and a 0% slashing rate as a result of their best-in-class technology. By adding infrastructure and developing the product suite, CanETH continues to give more users access, allowing them to benefit from the growth and returns in Ethereum 2.0. CanETH's Platform 2.0 is due to be released in Q2, with more upcoming and exciting developments to make ETH staking easier for all investors.

## **III. Stock Options Granted**

The Company has granted incentive stock options to directors, officers and consultants in the aggregate amount of 8,000,000 stock options at an exercise price of \$0.43 per share. The options are exercisable for a period of five years, ending on April 12, 2026.

## **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* 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 1.2 – *Recent Activities* - for further description of Business.

## 1.4 **Selected Annual Information**

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

	<b>May 31, 2020</b>	<b>May 31, 2019</b>	<b>May 31, 2018</b>
(a) Revenues	\$ -	\$ 304,420	\$ 28,526
(b) Total other income (losses)	-	(896,536)	796,485
(c) Total expenses	(153,919)	(337,021)	(534,137)
(d) Net profit/ (loss)	(861,981)	(3,985,447)	192,959
(e) Income (loss) per share			
– basic and diluted	(0.03)	(0.14)	0.01
(f) Total assets	16,012	806,180	4,718,034
(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 28, 2021 unaudited financial statements of the Company and notes attached thereto.

### 1.5.1 **Cryptocurrency Mining**

During the year ended May 31, 2018, the Company acquired 500 S9 Antminer rigs (the 'Rigs') at a cost of US\$2,000,000 and engaged a Provider to set-up, host and operate the cryptocurrency mining activities for 24 months to May 2020. In November, 2018, the Company suspended operation of its Rigs due to the market downturn in cryptocurrency values and, subsequently, the Rigs were determined to have no economic value and were written down to \$1. The Company subsequently abandoned the Rigs in the period ended February 28, 2021 and, as a result, believes there are no further commitments owing by the Company to the operator.

In March, 2021, the Company completed the Acquisition of CanETH and has re-entered the cryptocurrency space through CanETH's Staking Services offering a staking solution for Ethereum 2.0, providing clients with a simplified on-ramp to participate in the ETH 2.0 Proof of Stake movement. In addition, CanETH has employed Ethereum mining rigs to proactively mine ETH. *See 1.2 – Recent Activities.*

## 1.6 **Results of Operations**

The expenses relating to the loss for the period ending February 28, 2021 of \$229,983 and for the loss for the comparative period ended February 28, 2020 of \$122,275 are as follows:

For the nine months ended February 28,	2021	2020	Variance
<i>Expenses:</i>			
Accounting and audit fees	(16,159)	(13,208)	(2,951)
Foreign exchange loss	(47)	(2,913)	2,866
Legal and corporate services	(42,835)	(18,182)	(24,653)
Finance cost	(580)	(481)	(99)
Management services	(94,139)	(49,157)	(44,982)
Consulting fees	(41,885)	(1,124)	(40,761)
Office, rent and administration	(10,524)	(16,216)	5,692
Shareholder communications	(6,623)	(4,072)	(2,551)
Transfer agent and filing fees	(17,191)	(16,922)	(269)
<b>Total Expenses</b>	<b>(229,983)</b>	<b>(122,275)</b>	<b>(107,708)</b>
<b>Net loss for the period</b>	<b>\$ (229,983)</b>	<b>\$ (122,275)</b>	<b>\$ (107,708)</b>

During the current period, the Company incurred higher corporate overhead expenses, compared to the comparative period. The most significant increases were in legal, management services, and consulting fees due to the new acquisition and financing in the current year. *See 1.2 – Recent Activities.*

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

During the period ending February 28, 2021, subscriptions received of \$113,750 were held in trust pending the completion of the Financing and Acquisition.

The Company completed a non-brokered private placement in August 2020. The Company issued 9,372,000 units at \$0.05 per unit for gross proceeds of \$468,600. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant (“unit warrant”) entitles the holder to purchase one common share of the Company at a price of \$0.10 per share for a period of 2 years.

The Company incurred finders’ fees in connection with the non-brokered private placement. The Company paid \$35,088 and issued 350,880 finders’ warrants, which were valued at \$10,697 using the Black Scholes model. Finders’ warrants have the same exercise terms as the unit warrants.

#### **Acquisition Private Placement**

Pursuant to the closing of the CanETH acquisition (*See 1.2 – Recent Activities*), the Company issued 17,240,000 subscription receipts at \$0.125 per receipt for proceeds of \$2,155,000, which were held in trust pursuant to the completion of the acquisition. Upon closing, the subscription receipts automatically converted into an equivalent number of units (Unit”), with each Unit being comprised of one common share and one-half of one common share purchase warrant (“Warrant”). Each whole Warrant entitles the holder to purchase one common share of the Company for \$0.245 for a period of two years following the closing date of the receipt of funds, provided that, if after four months and one day, the closing price of iMining’s Shares is equal to or greater than \$0.45 per Share for 20 consecutive trading days, the Company may, by notice to the Warrant holders, reduce the remaining exercise period of the Warrants to not less than 30 days following the date of such notice. All securities issued in connection with the Receipts are subject to a hold period, expiring on July 5, 2021.

Aggregate compensations of \$135,187.50 and 1,081,500 finders' warrants (having the same general terms as the Warrants forming part of the Units) were paid by the Company as finders' fees and commissions for that portion of the Financing attributable to their efforts. The finders' warrants are subject to a hold period, expiring on July 23, 2021.

### ***Investor Relations Activities***

During the period ended February 28, 2021, 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>28-Feb-21</u>	Q2 <u>30-Nov-20</u>	Q1 <u>31-Aug-20</u>	Q4 <u>31-May-20</u>
Net Loss:				
Total	\$ (141,181)	\$ (52,298)	\$ (36,504)	\$ (739,706)
Per share – basic and fully diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)

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

### ***Discussion***

For the discussion of results for the period ended February 28, 2021, see Section 1.6 *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 start its mining operations. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

As at February 28, 2021, the Company had \$130,064 in cash and a working capital of \$64,440. 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. See 1.2 – *Recent Activities – Acquisition and Private Placement*.

## **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:

<b>For the period ended February 28,</b>	<b>2021</b>	<b>2020</b>
Accounting fees	\$ 10,500	\$ 4,500
Management services	90,000	45,000
Office, rent and administration	9,000	9,000
<b>Total</b>	<b>\$ 109,500</b>	<b>\$ 58,500</b>

During the period ended February 28, 2021, the Company incurred expenses of \$109,500 (2020 - \$58,500) from companies controlled by officers of the Company.

Included in accounts payable at February 28, 2021 is \$23,625 (May 30, 2020 - \$219,671) due to officers of the Company and to a company controlled by an officer. These balances are in respect of management activities and reimbursable expenses.

During the period ended February 28, 2021, an officer and director forgave fees of \$18,375, including GST, which amounts have been net against Management services.

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

The Company continues to evaluate new and amended standards but currently no material impact is expected as a result of adoptions of new and amended standards.

### **1.12 Third Quarter**

The third quarter February 28, 2021 results are similar to the previous quarter. See Review discussion in Section 1.6 – Results of Operations.

### **1.13 Financial and Other Instruments**

#### a) Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. Interest rate risk consists of two components:

- (i) To the extent that payments made (or received) on the Company's financial instruments 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 financial instruments, the Company is exposed to interest rate price risk. The Company's exposure to interest rate fluctuations is minimal.

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, 2021. Future cash flows from interest income on cash will be affected by interest rate fluctuations.



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, 2021 is \$130,064 and advance to Future Farm. Cash is held at a chartered Canadian financial institution, and the Company has recognised an allowance against the full amount of the Future Farm advance, 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, 2021 the Company was holding cash of \$130,064. The Company's trade and other payables are due in the short term. As at February 28, 2021, the Company had a working capital of \$64,440. The Company may not have 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 23, 2021:**

	Number	Book Value
Common Shares	84,436,265	\$ 15,058,814

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

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
120,000	\$0.30	December 7, 2021
4,548,880	\$0.10	August 17, 2022
150,000	\$0.10	August 20, 2022
8,620,000	\$0.245	March 4, 2023
1,081,500	\$0.25	March 22, 2023
14,520,380		

In addition, the Company has granted incentive stock options to directors, officers and consultants in the aggregate amount of 8,000,000 stock options at an exercise price of \$0.43 per share. The options are exercisable for a period of five years, ending on April 12, 2026.

**1.15 Approval**

The Board of Directors has approved the disclosure contained in this MD&A.