

VICTORY EMPIRE INC. (FORMERLY VICTORY RESOURCES CORPORATION)
FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
For the Period Ended November 30, 2019 and 2018

The following management's discussion and analysis, prepared as of December 27, 2019 should be read together with the unaudited condensed interim financial statements for the period ended November 30, 2019 and related notes attached thereto (the "financial statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. Readers may also want to refer to the February 28, 2019 audited financial statements.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements (see "Note Regarding Forward-Looking Statements").

Additional information related to Victory Empire Inc. (Formerly Victory Resources Corporation) is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Victory Empire Inc. (Formerly Victory Resources Corporation), ("Victory" or "The Company" is publicly traded company. It changed its name on November 6, 2019 to Victory Empire Inc. The Company has been a junior exploration stage mining corporation with interests in North America. The Company has no plans to divest itself of its existing operations in respect of its assets in South Central British Columbia, although it is currently seeking and investigating other business opportunities as a result of the lack of appetite for junior mining risk by investors. It is in the process of making a change of business from a junior resource mining company to an investment company. The Corporation's current mining asset is a 100% interest in a prospective mineral property in South Central British Columbia known as the "Toni Property", subject to a 2% net smelter return royalty. Victory holds claims known as the AW NORTH, the AW EAST and the MalWen corner, comprising 2,331.05 hectares which presently make up the Toni Property. Due to the high costs of holding a large land package during times of difficulty for junior explorers, the Company has reduced the Toni Property to the essential core claims and has let the balance lapse. To date, the Company has not generated significant revenues from operations. The Company has not yet determined whether the Toni Property contains mineral reserves that are economically recoverable.

After a thorough evaluation of the Company's existing resources and a review of strategic options for the Company generally, the Company determined to refocus its business operations from a "junior mineral exploration company" to an "investment issuer". The board believes that its network of business contacts, the depth of experience of its management team and its overall entrepreneurial approach will enable it to identify and capitalize upon investment opportunities as an "investment issuer". Upon completion of the Proposed COB, the Company's primary focus will be to seek returns through investments in the securities of other companies, as more particularly described herein.

On October 17, 2019, the Company announced they executed a letter of intent and entered into formal due diligence toward an investment in a company in the market research and data analytics space with a specialty focus on cannabis consumers called the Cannabis Intelligence Agency Inc. ("CIA"). This is a letter of intent, there is no assurance any interest will be acquired. The parties will, after a successful due diligence review, determine the exact price and amount of interest that may be acquired. If an interest is acquired, it is not anticipated that this will be the only investment or business of the Company.

As a diversified investment corporation, Victory is looking at multiple investment opportunities, and the Company's investment in World High Life provides Victory shareholders with exposure to early stage, fast developing CBD and medicinal cannabis markets in the UK and Europe.

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INVESTMENTS AND DEPOSITS

Deposits

Glenbriar Technologies Inc. (“Glenbriar”)

During the period ended November 30, 2019, the Company sent \$150,000 to Glenbriar for the future issuance of common shares. The Company has recorded this amount as a deposit until such time as the shares are received.

CIA Cannabis Intelligence Agency Inc. (“CIA”)

During the period ended November 30, 2019, the Company entered into an LOI with CIA towards an equity investment. The Company advanced \$40,000 to CIA towards the acquisition by way of a secured loan bearing interest at 8% and repayable in one year. The Company has recorded this amount as a deposit until such time as the shares are received.

Long-term investments

Primary Energy Metals

During the year ended February 28, 2019, the Company purchased 211,040 units of Primary Energy Metals Inc. (“Primary”) for a total of \$158,280. Each unit consisted of one common share and one share purchase warrant. Each purchase warrant entitles the Company to purchase an additional share of Primary at a cost of \$1.50 until September 7, 2019. The Company still owned all 211,040 units at November 30, 2019 which were sold in December 2019 for total proceeds \$70,045.

At November 30, 2019:

- i) the shares were initially valued at the market price of Primary’s shares on August 21, 2018 of \$0.65 per share for a total value of \$137,176. At May 31, 2019, the shares were re-valued using the fair value trading price of \$0.80 (February 29, 2019 - \$1.40) and has a fair market value of \$16,883 (February 28, 2019 - \$29,546.) The re-valuation at November 30, 2019 resulted in a gain on investment in shares of \$56,980 (November 30, 2018 - \$nil).
- ii) the warrants were initially measured using the residual value method based on Primary’s unit price at the date of issuance (August 21, 2018) of \$0.75, less the market price of shares on that date of \$0.65 resulting in a fair value of \$21,104. On September 7, 2019 the warrants expired unexercised.

World High Life PLC (“World High Life”)

On October 22, 2019, the Company purchased 66,667 convertible debenture units (the “Debentures”) of World High Life PLC (“World High Life”) for \$1,100,000. World High Life is a UK CBD wellness and medicinal cannabis investment company listed on the London NEX Exchange under the symbol LIFE. The debentures pay interest of 10% annually, and are convertible into ordinary shares of World High Life at a price of £1.00 per share, subject to World High Life’s right to force conversion upon 30 days’ notice in the event that the Ordinary Shares trade at £3.00 or higher for a 10 day period. The debenture units consisted of a £10.00 principal amount and included 1 warrant to purchase additional ordinary shares at a price £1.50 per share for two years (666,667 warrants in total), subject to World High Life’s right to accelerate the maturity date upon 30 days’ notice in the event that the Ordinary Shares trade at £2.50 or higher for a 10 day period. The debentures will mature in two years plus one day from closing.

The initial fair value of the convertible debenture was determined to be \$425,297 using the residual method by valuing the warrants at \$674,703 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of £1.25; conversion price of £1.25; risk-free interest rate of 2.04%; dividend yield of 0%; stock price volatility of 100%, an expected life of 2 years.

As at November 30, 2019:

- i) the convertible debenture had an estimated fair value of \$850,424, resulting in an unrealized gain on investments or \$425,127, consisting of:

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- a. the loan position with a fair value of \$782,817 calculated using a discounted cash flow with a 20% interest rate and a remaining life of 1.87 years.
 - b. The conversion feature with a fair value of \$67,607 using the following assumptions: estimated share price of £1.10; conversion price of £1.00; risk-free interest rate of 1.84%; dividend yield of 0%; stock price volatility of 100%, an expected life of 1.87 years.
- ii) the warrants were fair valued at \$554,849 using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of £1.10; conversion price of £1.50; risk-free interest rate of 1.84%; dividend yield of 0%; stock price volatility of 100%, an expected life of 1.90 years. This resulted in an unrealized loss on investments of \$119,854.

INDUSTRY AND ECONOMIC FACTORS AFFECTING COMPANY PERFORMANCE

The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

Investment Objective

The investment objective of Victory Empire Inc. (the "**Corporation**") is to provide investors with long-term capital growth by focusing on investing in technology, natural resource, industrial, life sciences and real estate companies, and other companies from time to time.

Investment Strategy

The following shall be the guidelines for the Corporation's investment strategy:

1. Investments shall be focused in the technology, natural resource, industrial, life sciences and real estate industries. It is expected that such investments shall primarily include issuers listed on Canadian stock exchanges, with some exposure to global equity markets.
2. The investment portfolio may be comprised of securities of both public and private issuers primarily in the technology, natural resource, industrial, life sciences and real estate industries.
3. Target investments shall encompass companies at all stages of development, including pre-initial public offering and/or early stage companies with undeveloped and undervalued high-quality products or services requiring start-up or development capital, as well as intermediate and senior companies.
4. Initial investments of equity, debt or a combination thereof may be made through a variety of financial instruments including, but not limited to, private placements, participation in initial public offerings, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and other hybrid instruments, which will be acquired and held both for long-term capital appreciation and shorter-term gains.
5. The nature and timing of the Corporation's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Corporation.

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6. A key aspect of the investment strategy shall be seeking earlier stage high-growth potential companies backed by strong management teams and solid business models that can benefit from macro-economic trends. Notwithstanding this requirement, consideration may be given to opportunities where existing management may need the infusion of high level guidance, direction and expertise from the Corporation. In such situations, the Corporation intends to work closely with an investee company's management and board of directors to structure and deliver the strategic and financial resources to help such company best take advantage of its prospective or estimated resources and to mature into a successful commercial enterprise.

7. The Corporation will seek a more active role in situations where involvement of the Corporation is expected to make a significant difference to success and resulting appreciation. The Corporation may seek equity participation in situations to which the Corporation can potentially add value by its involvement, not only financially but also by the contribution of guidance and additional management expertise.

8. In the sectors the Corporation invests in, the Corporation expects to invest in securities of issuers which are early stage and have the potential for high-growth. In all sectors, the Corporation expects to invest in securities of issuers which it believes have competitive advantages in an area with a large potential market. In both sectors, the Corporation will look for seasoned and capable management to be in place.

9. Immediate liquidity shall not be a requirement, but each investment shall be evaluated in terms of a clear exit strategy designed to maximize the relative return in light of changing fundamentals and opportunities.

10. Subject to applicable laws, there are no restrictions on the size or market capitalization with respect to the Corporation's investments in the equity securities of public or private issuers.

11. Cash reserves may, from time to time as appropriate, be placed into high quality money market investments, including Canadian Treasury Bills or corporate notes rated at least R-1 by DBRS Limited, each with a term to maturity of less than one year.

12. The Corporation will not purchase or sell commodities, purchase the securities of any mutual fund, purchase or sell real estate (except insofar as comprised in a mineral property), purchase mortgages or sell mortgages or purchase or sell derivatives (except that the Corporation may sell call options to purchase securities owned by the Corporation as a means of locking in gains or avoiding future losses).

13. Subject to the full approval of the board of directors of the Corporation (the "**Board**"), the investment committee (the "**Investment Committee**") established by the Corporation may consider certain special investment situations, including assuming a controlling or joint-controlling interest in an investee company, which may also involve the provision of advice to management and/or board participation.

14. All investments shall be made in full compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

From time to time, the Board may authorize such additional investments outside of the guidelines described herein as it sees fit for the benefit of the Corporation and its shareholders.

Asset Allocation

In determining the sector weighting of the investment portfolio, the Investment Committee shall analyze the current economic conditions and trends in North American and global economies and shall seek to respond quickly to such changes. The investment portfolio shall be positioned in accordance with the market view of the Investment Committee from time to time. Sector allocations may vary significantly over time.

Rebalancing

Asset allocations will be reviewed by the Investment Committee on a quarterly basis. Reallocations are anticipated to be required infrequently except during extremely volatile market periods.

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Implementation

The officers, directors and management of the Corporation shall work jointly and severally to uncover appropriate investment opportunities. These individuals have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments may be identified.

Prospective investments will be channelled through the Investment Committee. The Investment Committee shall make an assessment of whether the proposal fits with the investment and corporate strategy of the Corporation in accordance with the investment evaluation process below, and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside professional consultants.

Once a decision has been reached to invest in a particular situation, a short summary of the rationale behind the investment decision should be prepared by the Investment Committee and submitted to the Board. This summary should include guidelines against which future progress can be measured. The summary should also highlight any finder's or agents' fees payable.

All investments shall be submitted to the Board for final approval. The Investment Committee will select all investments for submission to the Board and monitor the Corporation's investment portfolio on an ongoing basis, and will be subject to the direction of the Board. One member of the Investment Committee may be designated and authorized to handle the day-to-day trading decisions in keeping with the directions of the Board and the Investment Committee.

Negotiation of terms of participation is a key determinant of the ultimate value of any opportunity to the Corporation. Negotiations may be on-going before and after the performance of due diligence. The representative(s) of the Corporation involved in these negotiations will be determined in each case by the circumstances.

Investment Evaluation Process

The Investment Committee shall use both a top-down and bottom-up approach in identifying and submitting investments to the Board for approval. The investment approach will be to develop a macro view of a sector, build a position consistent with such view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the relative return in light of changing fundamentals and opportunities.

In selecting securities for the investment portfolio of the Corporation, the Investment Committee will consider various factors in relation to any particular issuer, including:

- (a) inherent value of its assets;
- (b) proven management, clearly-defined management objectives and strong technical and professional support;
- (c) future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- (d) anticipated rate of return and the level of risk;
- (e) financial performance; and
- (f) exit strategies and criteria.

Conflicts of Interest

The Corporation has assembled a strong Board and management team, with diverse backgrounds and significant business expertise and experience. In assembling a Board with these characteristics, the Corporation has two primary goals:

- (a) to gain exposure to a wide variety of potential investments, including investments that Board members may already be familiar with or that come to their attention through other business dealings; and

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(b) where a Board member has a personal interest in a potential investment, to ensure that the Corporation has independent, qualified directors available to conduct an independent assessment.

The Corporation has no restrictions with respect to investing in companies in which a Board member may already have an interest. Any potential investments where there is a material conflict of interest involving an employee, officer or director of the Corporation may only proceed after receiving approval from disinterested directors of the Board. The Corporation is also subject to the "related party" transaction policies of Canadian securities laws, which mandates disinterested shareholder approval to certain transactions.

Management Participation

The Corporation will seek a more active role in the companies in which it invests, and provide such companies with financial and personnel resources, as well as strategic counsel. The Corporation may also ask for board representation in cases where it makes a significant investment in the business of an investee company. The Corporation's nominee(s) shall be determined by the Board as appropriate in such circumstances.

Monitoring and Reporting

The Corporation's Chief Financial Officer shall be primarily responsible for the reporting process whereby the performance of each of the Corporation's investments is monitored. Quarterly financial and other progress reports shall be gathered from each corporate entity, and these shall form the basis for a quarterly review of the Corporation's investment portfolio by the Investment Committee. Any deviations from expectation are to be investigated by the Investment Committee, and if deemed to be significant, reported to the Board.

With public company investments, the Corporation is not likely to have any difficulty accessing financial information relevant to its investment. In the event the Corporation invests in private enterprises, it shall endeavour in each case to obtain a contractual right to be provided with timely access to all books and records it considers necessary to monitor and protect its investment in such private enterprises.

A full report of the status and performance of the Corporation's investments is to be prepared by the Investment Committee and presented to the Board at the end of each fiscal year.

The Company's access to financing is not certain and there can be no assurance of continued access to adequate equity funding on acceptable terms. Management believes that we will be able to obtain the capital necessary to continue as a going concern.

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LIQUIDITY, CAPITAL RESOURCES AND COMMITMENTS

Continuance of Operations and Going Concern

The condensed interim financial statements for the period ended November 30, 2019 (on www.sedar.com) were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at November, 2019, the Company has a deficit of \$29,119,424 (February 28, 2019 - \$28,532,466). The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

After a thorough evaluation of the Company's existing resources and a review of strategic options for the Company generally, the Company determined to refocus its business operations from a "junior mineral exploration company" to an "investment issuer". The board believes that its network of business contacts, the depth of experience of its management team and its overall entrepreneurial approach will enable it to identify and capitalize upon investment opportunities as an "investment issuer". Upon completion of the Proposed COB, the Company's primary focus will be to seek returns through investments in the securities of other companies, as more particularly described herein.

The Company is in the process of developing its investments. Over the ensuing 12 months the Company's business objectives are to provide investors with long-term capital growth by investing in a select portfolio of companies, primarily in the technology, natural resource, industrial, life sciences and real estate sectors.

The applicable milestones in accomplishing the next 12 month business objectives are for the Company to create an investment portfolio of 4 investee companies, with an aggregate investment of approximately \$2,000,000. The Company anticipates that the timeframe for the foregoing to occur is within the next 12 months.

These uncertainties raise substantial doubt upon the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, loan proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly the consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

Liquidity

At November 30, 2019, the Company had working capital of \$250,236 (At February 28, 2019 - \$1,000,841).

During the period ended November 30, 2019, the Company had the following cash flows:

- 1) cash used in operating activities of \$920,887 consisting primarily of general operational costs including consulting fees, management fees and professional fees.
- 2) cash provided by financing activities of \$1,327,397 consisting of private placement share proceeds and payment of loans which were repaid to related parties.

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- 3) cash used in investing activities of \$1,290,000 consisting primarily of the \$1,100,00 investment in units of World High Life, as well as \$190,000 in deposits towards the future purchase of shares in Glenbriar and CIA Cannabis.

During the period ended November 30, 2019, the Company continued to seek capital through various means including the issuance of equity and/or debt.

Capital Resources

As our exploration-stage properties are not revenue generating, the Company's sole source of long-term funding has traditionally been the issuance of common shares for cash, primarily through private placements to sophisticated investors.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from related parties. These are used to provide interim, short-term financing to meet day-to-day cash flow needs, on occasion, and are not intended to be a long-term source of capital.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

Key management personnel compensation during the period ended November 30, 2019 and 2018 was as follows:

	November 30, 2019	November 30, 2018
Management and directors fees	\$ 80,000	\$ 31,500
Share-based compensation	-	152,289
Accounting and professional fees, included in professional fees	8,932	77,290
Legal fees, included in professional fees	6,701	34,401
	<u>\$ 95,633</u>	<u>\$ 295,480</u>

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to the related parties are as follows:

	November 30, 2019	November 30, 2018
Due to directors and officers	\$ 503	\$ 494
Due to a company with common directors	2,184	33,505
	<u>\$ 2,687</u>	<u>\$ 33,999</u>

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

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Results of Operations

For the nine months ended November 30, 2019

Below are the significant changes in expenses when comparing the nine months ended November 30, 2019 to the nine months ended November 30, 2018:

- Advertising and promotion fees of \$475,316 (2018-\$9,863) increased primary as a result of prospective business developments initiatives.
- Consulting decreased to \$136,868 (2018 - \$237,500) as a result of decreased activities.
- Professional fees increased to \$164,421 (2018 - \$130,748) as a result of legal fees incurred related to increased corporate activities during the previous period.
- Property investigation costs decreased to \$Nil (2018 – \$(54,961)) as a result of decreased investigative activities incurred by the Company during the current period.
- Share-based compensation decreased to \$Nil (2018 - \$474,000) as a result of no stock options granted during the current period.
- Transfer agent and filing fees increased to \$27,116 (2018 – \$17,095) as a result of increased share and filing activities in the period.
- Travel increased to \$89,528 (2018 - \$21,718) as a result of increased activities in the period due to Company exploring potential projects.
- Other variations in expenses in the period presented reflect the variation inherent in normal course operations. We expect other items to remain at relatively constant levels, as these primarily reflect recurring operational expenses that do not vary significantly within a certain range of corporate and exploration activity.

For the three months ended November 30, 2019

Below are the significant changes in expenses when comparing the three months ended November 30, 2019 to the three months ended November 30, 2018:

- Advertising and promotion fees of \$127,625 (2018-\$113) increased primary as a result of prospective business developments initiatives.
- Consulting decreased to \$27,800 (2018 - \$55,000) as a result of decreased activities.
- Professional fees increased to \$63,541 (2018 - \$34,596) as a result of legal fees incurred related to increased corporate activities during the previous period.
- Property investigation recovery decreased to \$Nil (2018 – \$131,939). In the prior year the Company recovered costs related to property investigation.
- Travel increased to \$10,452 (2018 - \$1,972) as a result of increased activities in the period due to Company exploring potential projects.
- Other variations in expenses in the period presented reflect the variation inherent in normal course operations. We expect other items to remain at relatively constant levels, as these primarily reflect recurring operational expenses that do not vary significantly within a certain range of corporate and exploration activity.

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SUMMARY OF QUARTERLY RESULTS

	Three Months Ended November 30, 2019	Three Months Ended August 31, 2019	Three Months Ended May 31, 2019	Three Months Ended February 28, 2019
Total assets	\$ 1,962,196	\$ 472,834	\$ 813,938	\$1,139,954
Working capital (deficiency)	250,236	268,099	680,573	1,000,841
Shareholders' equity	1,818,472	365,566	723,170	1,043,438
Net income (loss)	(97,514)	(351,540)	(320,269)	(2,173,061)
Income (loss) per share	(0.00)	(0.01)	(0.00)	(0.04)

	Three Months Ended November 30, 2018	Three Months Ended August 31, 2018	Three Months Ended May 31, 2018	Three Months Ended February 28, 2018
Total assets	\$ 2,395,988	\$ 2,306,567	\$ 2,579,658	\$ 2,913,916
Working deficiency	291,675	(112,766)	39,383	360,765
Shareholders' equity	2,241,894	1,710,830	1,862,979	2,184,361
Net income (loss)	962,280	(152,149)	(795,382)	(228,090)
Income (loss) per share	0.02	(0.00)	(0.01)	(0.03)

For the three months ended February 28, 2018, the Company incurred a net loss of \$228,090 primarily due to consulting, legal and property investigation costs related to the scoping surveys on battery mineral exploration and near-term production permits in Spain.

For the three months ended May 31, 2018, the Company incurred a net loss of \$795,382 primarily due to consulting, legal and property investigation costs related to the scoping surveys on battery mineral exploration.

For the three months ended August 31, 2018, the Company incurred a net loss of \$152,149 primarily due to professional and consulting costs incurred during the current period.

For the three months ended November 30, 2018, the Company incurred a net income of \$962,280 primarily due to income from discontinued operation during the current period.

For the three months ended February 28, 2019, the Company incurred a net loss of \$2,173,061 primarily due to write down of the Toni Property during the current period.

For the three months ended May 31, 2019, the Company incurred a net loss of \$320,269 primarily due to professional and consulting costs incurred during the current period.

For the three months ended August 31, 2019, the Company incurred a net loss of \$351,540 primarily due to advertising and promotion expenses and professional costs incurred during the current period as a result of prospective business developments initiatives.

For the three months ended November 30, 2019, the Company incurred a net loss of \$97,514 primarily due to an unrealized gain on long-term investments of \$370,769 offset by advertising and promotion expenses and professional costs incurred during the current period as a result of prospective business developments initiatives.

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FINANCIAL AND OTHER INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments are classified as follows:

Financial Instrument	IAS 39
Cash	FVTPL
Amounts receivable	Loans and receivables (amortized cost)
Deposits	Loans and receivables (amortized cost)
Long-term investments	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)
Due to related parties	Other financial liabilities (amortized cost)

RISKS AND CAPITAL MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Substantially all cash balances are held at chartered banks in Canada. The Company's maximum exposure to credit risk is the balance of cash on the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at November 30, 2019, the Company had a cash balance of \$120,508 (February 28, 2019 - \$1,003,998), GST receivable of \$5,256 (February 28, 2019 - \$14,971) and deposits of \$150,000 (February 28, 2019 - \$24,706) to settle current liabilities of \$143,724 (February 28, 2019 - \$96,516). All of the Company's trade accounts payable and amounts due to related parties have contractual maturities of 30 days or are due on demand and accounts payable are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As of November 30, 2019, the Company did not hold any material investments or liabilities and has no significant interest rate risk.

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b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At November 30, 2019, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The company has limited foreign currency exposure.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its investments and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

CURRENT SHARE DATA

As at December 27, 2019, the Company has 193,250,837 common shares issued and outstanding.

At December 27, 2019, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options	Exercise Price
August 6, 2020	32,000	\$ 0.625
March 20, 2023	4,920,000	\$ 0.07125

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At December 27 2019, the following share purchase warrants were outstanding.

	Number of Warrants Outstanding	Exercise Price
January 21, 2020	18,937,904	\$ 0.06875
January 21, 2020 – agent warrants	898,948	0.06875
January 21, 2020	19,420,000	0.0525
January 21, 2020 – agent warrants	1,008,000	0.0525
January 21, 2021	42,100,000	0.0375
January 21, 2021 – agent warrants	2,600,000	0.0375
October 9, 2021	87,147,234	\$ 0.05
October 9, 2021 – agent warrants	5,638,458	0.05
November 12, 2021	8,866,667	0.05
November 12 2021 – agent warrants	16,000	0.05
	<u>186,633,211</u>	<u>\$ 0.047</u>

NEWLY ADOPTED ACCOUNTING POLICIES AND FUTURE ACCOUNTING POLICY PRONOUNCEMENTS

Please refer to the condensed interim financial statements for the nine month period ended November 30, 2019 on www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer’s Annual and Interim Filings) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited consolidated financial statements and this accompanying annual MD&A (together the “Annual Filings”).

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as “expects”, “intends”, “may”, “could”, “should”, “anticipates”, “likely”, “believes” and words of similar import also identify forward-looking statements.

Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, assumptions regarding the Company’s ability to raise additional debt and/or equity financing to fund operations and working capital requirements and assumptions regarding the Company’s mineral properties.

Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of mineral properties, exploration results, commodity market conditions, the Company’s ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company on www.sedar.com