Management's Discussion and Analysis

For the nine months ended June 30, 2020 and 2019

DATE AND SUBJECT OF REPORT

The following management's discussion and analysis (the "MD&A") of the financial condition and results of the operations of Redfund Capital Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended June 30, 2020 and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended September 30, 2019 and 2018. The financial statements and MD&A of the Company are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. References to "US$" are to United States dollars. Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.redfundcapital.com. You may also access the Company's disclosure documents through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended September 30, 20 and 2018, are also referred to as "fiscal 2019" and "fiscal 2018".

The effective date of this MD&A is August 31, 2020.

Forward-Looking Statements

This MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are usually preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', 'may', 'will', or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements are based on management's current expectations and involve numerous risks and uncertainties. Such uncertainties may include general economic, political or market uncertainties in Canada or elsewhere, changes to regulatory or compliance requirements, changes in government policies, the risks inherent in a development stage business, the possible future impact of tax exposures, currency and exchange rate fluctuations, changes in interest rate, all of which are difficult or impossible to predict accurately. While we believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. Forward-looking statements are not guarantees of future performance. Actual results may be differ materially from those implied be the forward-looking statements. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

Description of Business

The Company was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. On August 2, 2018, the Company completed a change of business and corporate name change to become a merchant bank focused on medical cannabis and hemp. Previously, the Company changed its name from AAN Ventures Inc. to Parana Copper Corporation on May 25, 2017. The Company's shares are publicly traded on the OTC Markets, Frankfurt Exchange and Canadian Stock Exchange (the "CSE") under the symbol "LOAN".

Redfund provides advisory services, debt and equity funding in the mid to late stages of a target company's development, or in technologies that are developed and validated, but may be in the early stages of commercialization. The present focus of the merchant bank is on global wellness, hemp and CBD-related, healthcare-related target companies. The head office, principal address and records office of the Company are located at 100 - 1111 Melville St Vancouver, British Columbia V6E 3V6.

Directors and Officers of the Company

The board of directors of the Company consists of Meris Kott, Eugene Hodgson, Mark Ireton, Amanda de Freitas, Ashleigh Vogstad and Lindsey Perry Jr. The management team of the Company is comprised of Meris Kott, CEO, and Stephen Brohman, CFO (effective December 12, 2019, with Kelly McQuiggan until December 11, 2019 and Ryan Cheung as CFO until July 1, 2019).

Outlook

Redfund Capital has established the first tier of its investment client portfolio during its first fiscal year. The Company will continue its focus in 2020 on developing additional revenue streams with their Best in Class Corporate Advisory Services, joint venture partnerships, corporate re-organizations, valuation adjustments, and corporate development strategy.

Going Concern

The Company incurred a net loss of $187,271 for the nine months ended June 30, 2020, has an accumulated deficit of $36,126,067 and has had recurring losses since inception. The Company does not have sufficient funds to sustain its operations over the next twelve months. Management is considering all possible financing alternatives, including equity and debt financing to finance the future operations.

The ability to continue operating as a going concern is dependent on raising additional funding to develop successful businesses. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These circumstances lead to substantial doubt as to the ability of the Company to meet its obligations as they become due and, accordingly, as to the appropriateness of the use of accounting principles applicable to a going concern.

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, has 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.

OVERALL PERFORMANCE

The Company is classified as a merchant bank focused on medical cannabis, hemp and CBD markets both Canada and the United States. The Company made several secured loans to cannabis companies during the year ended September 30, 2019. All loans are currently secured by the borrowers' assets as at June 30, 2020.

Convertible Loan Portfolio and Investments

Sunshine State Tea Company, LLC ("SSTC")

On February 6, 2020, the Company entered into a Limited Liability Company Membership Interest Purchase Agreement (the "Agreement") with SSTC, a private Florida, United States company controlled by the Company's CEO, Meris Kott, to purchase 18% membership interest in SSTC. The assets in SSTC include formulas related to SSTC tea product line.

On April 1, 2020, the Company issued 4,500,000 common shares to Meris Kott, to acquire an 18% membership interest of SSTC. As additional consideration of the transaction, the Company shall loan the sum of $500,000 to SSTC for project and business development over the next 3 years, which the loan shall be repaid within 5 years from the date of the last funding and shall bear interest at 6% per annum. This acquisition has been accounted for as a business combination as SSTC met the definition of a business under IFRS 3, Business Combinations.

In accordance with IFRS 3 – Business Combinations, the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

The purchase price allocation ("PPA") which was determined at the Business Combination date is preliminary and subject to change up to the period of one year from the Business Combination date upon finalization of fair value determination.

Consideration paid:		
4,500,000 common shares at $0.06 per share	$	270,000
Assets (liabilities) acquired:		
Intangible assets		28,356
Sales tax receivable		1,985
Goodwill		273,993
Accounts payable		(52,522)
Non-controlling interest		18,188
Total net assets acquired	$	270,000

The fair value share consideration pertaining to the Business Combination was $270,000. The excess of the consideration paid over the fair value of the identifiable assets less liabilities was recognized as goodwill in the amount of $273,993. Goodwill represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributable to the expected future cash flows of the business.

The intangible assets represent the formulations acquired as part of the Business Combination. The individual assets are not able to be separated and valued individually. Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets and the allocation of goodwill.

Intangible assets acquired through SSTC Business Combination are not yet available for use and are not subject to amortization. Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred

The following table presents the summarized financial information for SSTC the Company subsidiary which have Non-controlling interest ("NCI"). This information represents amounts before intercompany eliminations.

	June 30, 2020
	$
Current assets	54,675
Non-current assets	28,356
Current liabilities	(101,978)
Net income for the period	1,265

The net change in non-controlling interests is as follows:

	Total
	$
Balance, June 30, 2019	-
Ownership interest	(18,188)
Share of income for the period	1,037
Balance, June 30, 2020	17,151

As of June 30, 2020, the Company held a 18% membership interest in SSTC, with $17,151 NCI balance.

Biolog, Inc.

On August 21, 2018 ("Effective Date"), the Company subscribed for a convertible secured promissory note with Biolog, Inc. ("Biolog"), a private company incorporated in the State of Utah. The Company has agreed to advance up to USD$800,000 in tranches. Advances are secured by the assets of Biolog and bear interest at 14%, payable monthly, and the promissory note is due on September 1, 2020. On the Effective Date, the Company advanced $194,000. The note may be converted into common shares of Biolog at a price equal to a 10% discount to the valuation of Biolog immediately from any financing immediately prior to the date of conversion.

In addition, Biolog issued warrants equivalent to 20% of the amount of the note based upon its valuation as of the Effective Date which is stipulated to be USD$10,000,000. The option to settle the convertible note and warrants in common shares of Biolog represents an embedded derivative in the form of a call option to the Company. Biolog is a private company and its shares cannot be reliably valued using any market-derived indicators. Accordingly, the derivative asset was initially recognized by the Company at $nil value. As at September 30, 2019, the fair value of the derivative asset remained the same.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of Biolog and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable remains impaired. As such time the loan is repaid in full, the Company will recognize a recovery of the impairment amount. This loan continues to be secured by the borrowers' assets.

Biominerales Pharma Corp.

On August 27, 2018 ("Effective Date"), the Company subscribed for a convertible secured promissory note with Biominerales Pharma Corp. ("Biopharma"), a private company incorporated under the laws of the Province of Quebec. The Company has agreed to advance up to USD$196,184. Advances are secured by the assets of Biopharma and bears interest at 14% annually, payable monthly; and the promissory note is due on October 1, 2020. On the Effective Date, the Company advanced $255,000 under the note. The note may be converted into common shares of Biopharma at a price equal to a 10% discount to the price assigned to the common shares of Biopharma from any financing immediately prior to the date of conversion. The Company is not able to exert significant influence over the operations of Biopharma.

In addition, Biopharma issued 18,684 warrants, exercisable at a price of $2.10 per warrant, to acquire one Class A common share in the capital of Biopharma for a period of 24 months. The option to settle the convertible note and the stock warrants in Class A common shares of Biopharma represents an embedded derivative in the form of a call option. Biopharma is a private company and its shares cannot be reliably valued using any market-derived indicators. As at September 30, 2018, the Company had not received repayment of such note and management has assessed the high likelihood of collectability. Thus, the entire balance of convertible note receivable had been impaired.

On October 1, 2018, a further $250,000 was loaned to Biopharma under the same terms as the previously loaned $255,000. This loan continues to be secured by the borrowers' assets. During the period ended June 30, 2020, Biopharma has made monthly interest payments in accordance with the promissory note totaling $33,715.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been able to review financial information of Biominerales and has assessed the high likelihood of collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable remains and the previous impairment of $255,000 has been reversed.

RxMM Health Capital Inc.

On October 1, 2018, the Company entered into a US$500,000 promissory note with RxMM Health ("RxMM"). The loan is secured by a general security agreement on assets of RxMM. The loan bears an interest at 14% compounded monthly and is repayable within 24 months. Furthermore, RxMM granted additional consideration to the Company providing an option to purchase common shares of RxMM equal to 20% of the amount of the loan based on a valuation agreed upon between RxMM and the Company. On October 9, 2018, the Company made a first tranche loan of $220,740 CDN to RxMM. This loan continues to be secured by the borrowers' assets.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been able to review qualitative information of RxMM and has assessed the high likelihood of collectability in respect to the principal portion of the loan. During the period ended June 30, 2020, RxMM has not made interest payments in accordance with the promissory note agreement.

Mary's Wellness Ltd.

On October 15, 2018, the Company entered into a $1,000,000 promissory note with Mary's Wellness Ltd. ("MWL"). The loan was secured by a general security agreement on assets of MWL. The loan bore an interest rate of 12.5% per annum compounded monthly and was repayable by November 1, 2020. Furthermore, MWL granted additional consideration to the Company providing an option to purchase common shares of MWL equal to 20% of the amount of the loan based on a valuation agreed upon between MWL and the Company. On October 19, 2018, the Company made a first tranche loan of $100,000 CDN to MWL. This loan was secured by the borrowers' assets. The entire loan was converted on March 20, 2019 to a 5% equity interest in MWL.

Winterlife Inc.

On November 1, 2018, the Company entered into a USD$1,000,000 promissory note with Winterlife Inc. ("Winterlife"). The loan is secured by a general security agreement on assets of Winterlife made effective on November 1, 2018. The loan bears an interest rate of 14% per annum compounded monthly and is repayable by November 1, 2020. Furthermore, Winterlife granted additional consideration to the Company providing an option to purchase common shares of Winterlife equal to 20% of the amount of the loan based on a valuation agreed upon between Winterlife and the Company. On November 6, 2018, the Company made a first tranche loan of $100,080 CDN to Winterlife. This loan continues to be secured by the borrowers' assets.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of Winterlife and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable has been impaired. As such time the loan is repaid in full, the Company will recognize a recovery of the impairment amount. This loan continues to be secured by the borrowers' assets. The Company has received $nil of total interest since the loan's inception.

RESULTS OF OPERATIONS

Selected Annual Information

The following table summarizes selected financial data for the Company for each of the three most recently completed fiscal years. The information set forth below should be read in conjunction with the audited consolidated annual financial statements of the same years.

	Years ended September 30,		
	2019	2018	2017
	$	$	$
Net loss	**(2,370,499)**	(3,303,216)	(186,842)
Comprehensive loss	**(2,370,499)**	(3,752,216)	(194,683)
Total assets	**769,442**	1,092,832	91,586
Net loss per share (basic and diluted)	**0.05**	0.10	0.02

Selected Quarterly Information

The following table summarized the results of operations for the eight most recent quarters:

(in thousands of dollars,	**2020**			**2019**				**2018**
except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net income (loss)	(121)	8	(73)	(75)	(839)	(325)	(1,133)	(3,669)
Loss per share	(0.00)	0.00	(0.00)	(0.00)	(0.02)	(0.01)	(0.02)	(0.10)

Weighted averages are consolidated shares. See Disclosure of Outstanding Share Data section.

Results for the nine months ended June 30, 2020, compared to the nine months ended June 30, 2019

On a quarter to quarter basis, net loss decreased by approximately $2,111,016 during the nine months June 30, 2020, compared to the nine months June 30, 2019.

During the nine months ended June 30, 2020 and nine months ended June 30, 2019 the Company incurred a net loss of $186,234 and $2,297,250. The company had a considerable ramp up in business operations resulting in an increase in consulting, investor relations and marketing, public relations, travel and regulatory costs in the prior year primarily in the first three quarters of fiscal 2019. The primary decrease from operating expenses was the Company granted fewer stock options resulting in non-cash stock-based compensation expense to be recognized during the period.

Results for the three months ended June 30, 2020, compared to the three months ended June 30, 2019.

On a quarter to quarter basis, loss and comprehensive loss increased by approximately $718,075 during the three months June 30, 2020, compared to the three months June 30, 2019. Notably, the Company recognized interest income of $24,331 during the three months ended June 30, 2020, whereas $65,455 was recognized for the comparative period.

Contributing to the decrease in loss and comprehensive loss were decreases in several components of expense. This is mainly attributable to the Company decreasing operations. Decreases in consulting, investor relations, public relations and share based payments have all contributed. In the prior year the Company undertook advertising initiatives which increased investor relations and marketing.

Related Party Transactions

A number of key management personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence, during the nine months ended June 30, 2020 and June 30, 2019.

Meris Kott, the Company's President and CEO receives a monthly consulting fee and incentive stock options. All other key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days' notice. Key management personnel and Directors participate in the Company's stock option plan.

Stock options were granted during the nine months ended June 30, 2020 and June 30, 2019 to Directors and management which had a fair value on grant date of $25,477 (2019 - $291,892).

The Company transacted with the following related parties:

(a) 1060606 BC Ltd. ("106 BC Ltd.") is a consulting firm over which the CEO of Redfund has significant influence and ownership. Charges are for consulting, travel, office rent and administration.

(b) Kelly McQuiggan was a former CFO. He is a consultant of Invictus Accounting Group LLP ("Invictus") a firm in which he has influence. Invictus provided the Company with professional services..

(c) Ryan Cheung was a former CFO. He is owner of MCPA Services Inc. ("MCPA"). MCPA provided the Company with professional services.

(d) Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with professional services.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions 9 months ended June 30, 2020 $	Transactions 9 months ended June 30, 2019 $	**Balances outstanding June 30, 2020 $**	Balances outstanding September 30, 2019 $
106 BC Ltd.				
- consulting services	43,254	230,630	17,000	-
- travel	10,359	36,250	-	-
	53,613	266,880	17,000	-
Amanda de Freitas	-	-	-	40,000
DBM CPA	21,000	-	21,000	-
Invictus	-	-	12,779	9,013
MCPA	-	5,250	-	-
	74,613	272,130	**50,779**	49,013

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Consulting and travel expenses
- Includes Meris Kott fee related to consulting, administrative and travel related expenses.

(b) Office rent
- Charged by 1060606 BC Ltd.

(c) Professional fees
- Includes the accounting services of Company's former CFO's, Ryan Cheung and Kelly McQuiggan, charged to the Company by MCPA and Invictus.
- Includes the accounting services of the Company's current CFO, Stephen Brohman, charged to the Company by DBM CPA.

Disclosure of Outstanding Share Data

The Company's share structure as at the date of this MD&A are as follows:

Authorized Share Capital: Unlimited number of voting common shares without par value

Issued and outstanding: As at the date of this document, there were 59,002,238 common shares issued and outstanding, 23,970,298 share purchase warrants outstanding at the date of this document, and 2,940,000 share purchase options.

Liquidity and Capital Resources

At June 30, 2020, the Company had a working capital deficit of $140,750 (2019 – 58,740)

	June 30, 2020	June 30, 2019
	$	$
Current assets	**122,650**	137,949
Current liabilities	**263,400**	196,689

Transactions for the issue of share capital during the nine months ended June 30, 2020:

On April 1, 2020, the company issued 4,500,000 shares at a deemed price of $0.06 per common share for consideration of an 18% membership interest in SSTC at a deemed value of $270,000 (Note 3). Each common share is subject to a four month hold restriction.

The Company issued a total of 885,291 shares to consultants on the following dates for consulting services rendered:

- October 2, 2019: 500,000 shares for $25,000;
- November 4, 2019: 200,000 shares for $16,000;
- January 20, 2020: shares for $12,044;
- April 1, 202: 200,000 shares for $12,000; and
- May 15, 2020: 2,000,000 shares for $120,000.

The above share issuances were and included in consulting expenses. In connection with the shares issued for services the Company recognized a gain on contract settlement in the amount of $24,000.

Transactions for the issue of share capital during the nine months ended June 30, 2019:

During the nine months ended June 30, 2019, the Company issued a total of 3,295,833 shares to consultants on the following dates for Consulting services rendered:

- February 19, 2019: 200,000 shares for a total value of $50,000;
- April 5, 2019: 1,262,500 shares for a total value of $252,500;
- April 24, 2019: 833,333 shares for a total value of $166,667;and
- May 13, 2019: 1,000,000 shares for a total value of $150,000.

The above share issuances were recognized as stock-based compensation and included in consulting expenses.

On October 11, 2018, the Company closed a private placement by issuing 5,724,999 units at $0.30 per unit for gross proceeds of $1,717,500. Each unit consisted of one common share and one warrant entitling the holder to one additional common share for $0.55 for a period of two years from date of issuance. $564,208 of the subscription proceeds were received during the year ended September 30, 2018. A cash commission of $29,467 was paid and 21,467 broker warrants were issued, containing the same exercise terms as the private placement warrants. The fair value of the 21,467 broker warrants was estimated at $6,700 using the Black-Scholes option pricing model.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

Accounting Policies

The significant accounting policies of the Company are listed in the Note 2 to the Company's audited financial statements for the year ended September 30, 2019.

New Accounting standards

The Company adopted the following accounting standards that were effective for the Company beginning on October 1, 2019.

- New standard IFRS 16 - Leases

  IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and has assessed that there will be no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments

  On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation was applicable for annual periods beginning on or after January 1, 2019. There were no reporting changes as a result of adopting the new interpretation.

Financial Instruments and Risks Management
The Company is exposed in varying degrees to a variety of financial instrument related risks. On December 23, 2019, the Company received notice that a former terminated consultant has filed a claim in small claims court and the Company feels it has no merit.

Financial instruments - fair value

The Company's financial instruments consist of cash, interest receivable, investments, convertible loans receivable, accounts payable and accrued liabilities.

The carrying value of accounts payable and accrued liabilities approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
June 30, 2020				
Cash	1,142	-	-	1,142
Convertible loans receivable	-	-	748,457	748,457
	1,142	**-**	**748,457**	**749,599**
September 30, 2019				
Cash	18,280	-	-	18,280
Convertible loans receivable	-	-	726,886	726,886
	18,280	-	726,886	745,166

Within Level 3, the Corporation includes the convertible loans receivable and private company investments. The key assumptions driving the valuation of the private company investments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- $169,000 (September 30, 2019 - $169,000) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

The fair value of the convertible loans receivable, which is not traded in an active market, is determined by discounting the stream of future interest and principal repayments at the rate of interest prevailing the balance sheet date for instruments of similar term and risk, and adding this value to the value of the convertibility feature which is estimated using a Black-Scholes model based on assumptions including risk free interest rate, expected dividend yield, expected volatility and expected remaining life of the convertible loans receivable.

Management estimates that the market interest rate on similar borrowing without the conversion feature was approximately 25% and has used an implied volatility of 87.35% in valuing the convertibility feature. Holding all other variables constant, a fluctuation in interest rates of 1% would have impacted the valuation by approximately $5,000 while a fluctuation in the implied volatility use of 25% would have impacted the valuation by approximately $1,000.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, and liquidity risk.

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's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

liquidity risk

Liquidity risk arises through 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 at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

<u>Capital Management</u>

The Company is a merchant bank and considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company's capital structure as at June 30, 2020 is comprised of shareholders' equity of $910,056 (September 30, 2019 - $609,787).

The Company currently has no source of revenues except for interest received from convertible loans. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to borrow or raise additional financing from equity markets.

Financial and Disclosure Controls and Procedures

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52- 109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost-effective basis.

Subsequent event

On July 22, 2020, the Company announced a distribution agreement with Hempfy Switzerland to market and distribute their products in North America, New Zealand and Australia. The Company and Tellement Facile SA under the trade name "Hempfy" have signed a distribution agreement for the North American markets of Canada and USA plus New Zealand and Australia. The term is to be 2 years and to be automatically renewed for successive two 2 years terms thereafter. Hempfy products are 100% legal natural hemp with no THC and no CBD.

On July 29, 2020, the Company announced a letter of intent with CannaForum BV ("CANNA") a company registered in The Netherlands, that has submitted an application for a cannabis cultivation license to the Dutch government in a new experiment program for the legal cultivation of cannabis in The Netherlands. The Company has been retained by CANNA as an advisor on the tender offer to the Dutch government and will introduce CANNA as an advisor to investors and will also have a right of first refusal to provide additional financing to CANNA should on any loans, financings, stock offerings, debt offerings or capital contributions by third parties be offered to CANNA.