

ROCKSHIELD CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED AUGUST 31, 2020

This discussion and analysis of financial position and results of operation is prepared as at October 30, 2020 and should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes for the nine months ended August 31, 2020, of Rockshield Capital Corp. ("Rockshield" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about economics and competition surrounding the services provided by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward looking statement or information herein will prove to be accurate. Forward looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Factors that could cause actual results to differ materially from those in forward looking statements include such matters as continued availability of capital and financing and general economic, market or business conditions. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward looking statements or information. Any forward looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

COVID-19

On March 11, 2020 the World Health Organization ("WHO") declared the outbreak of a novel coronavirus, identified as "COVID-19", a global pandemic. In order to combat the spread of COVID-19 governments worldwide, including Canada, have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any intervention. The outbreak has adversely impacted the value of the Company's investment portfolio. 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 results of operations at this time.

Company Overview

The Company was incorporated under the provisions of the B.C. Business Company Act on October 23, 2007. The Company's common shares trade on the Canadian Securities Exchange ("CSE") with the trading symbol of "RKS",

on the OTCBB under the symbol “RKSCF” and the Frankfurt Stock Exchange under the symbol “6BC”. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company’s principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

Since 2014 the Company has focused on providing venture capital funding to early stage seed investments and investment in marketable securities, focusing on high growth sectors. As a junior venture capital firm and merchant bank, the Company is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, illiquid securities and the ability to maintain adequate cash flows. See also “COVID-19”.

Director and Officer Update

On September 29, 2020 the Company held its annual general meeting of shareholders (“AGM”) and Messrs. David Doherty, Nick DeMare, Daniel Brody, Nick Grafton and Marc Cernovitch were elected as directors for the ensuing year.

Following the shareholders meeting, Mr. Doherty was appointed as President and Chief Executive Officer (“CEO”) of the Company and Mr. DeMare as Chief Financial Officer (“CFO”) and Corporate Secretary. Messrs. DeMare, Cernovitch and Grafton were appointed to the audit committee.

Investment Portfolio

The Company’s investments in marketable securities include common shares and other equity instruments of Canadian and U.S. companies that are listed on various Canadian stock exchanges or the OTCBB in the United States of America. The majority of the marketable securities instruments are shares of companies in the mining, energy, financial technology, medical technology and cannabis industries. The Company also holds investments in common shares of private companies which plan to publicly list their shares.

Management has designated its investments in common shares and warrants of publicly traded companies as “investments in equity/debt instruments” with the change in fair value recognized in profit or loss. The carrying values of the common shares have been directly referenced to published price quotations in an active market. The carrying values of equity and debt investments in unlisted private companies are valued at fair value using non-discernible market inputs based on specific company information and general market conditions. The carrying values of the unlisted warrants are valued at fair value using the Black-Scholes option pricing model.

The Company has been actively managing its investment portfolio. During the nine months ended August 31, 2020 the Company made investment purchases totalling \$857,719 (2019 - \$1,862,897) and sold certain of its investment portfolio for proceeds totalling \$628,147 (2019 - \$3,417,610), recognizing a loss of \$935,742 (2019 - gain of \$1,473,467). In addition, the Company recorded an unrealized loss of \$209,712 (2019 - \$5,142,792) on investments held.

As at August 31, 2020 the carrying value of the investment portfolio was \$2,361,361 (November 30, 2019 - \$2,857,819), with an accumulated unrealized holding loss of \$2,100,285 (November 30, 2019 - \$6,058,374) from its cost basis of \$4,461,646 (November 30, 2019 - \$8,916,193).

The continuation of the COVID-19 pandemic outbreak has adversely impacted the value of the Company’s investment portfolio. 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 investment portfolio at this time.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Months Ended	Fiscal 2020			Fiscal 2019				Fiscal 2018
	Aug. 31, 2020 \$	May 31, 2020 \$	Feb. 29, 2020 \$	Nov. 30, 2019 \$	Aug. 31, 2019 \$	May 31, 2019 \$	Feb. 28, 2019 \$	Nov. 30, 2018 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(71,315)	(102,049)	(84,060)	(84,559)	(104,213)	(186,181)	(130,346)	(163,115)
Other items	455,024	(240,836)	(919,963)	(924,433)	(906,877)	(2,876,795)	348,099	413,319
Net income (loss)	383,709	(342,885)	(1,004,023)	(1,008,992)	(1,011,090)	(3,062,976)	217,753	250,204
Income (loss) per share - basic and diluted	0.01	(0.01)	(0.02)	(0.03)	(0.01)	(0.07)	0.00	0.00
Dividend per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital	5,035,554	4,634,658	4,960,356	5,937,282	6,937,853	7,948,683	10,997,819	10,810,388
Total assets	5,066,140	4,658,660	4,974,363	5,968,347	6,959,978	7,986,524	11,017,745	10,818,902
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended August 31, 2020 Compared to Three Months Ended May 31, 2020

During the three months ended May 31, 2020 (“Q3”) the Company reported net income of \$383,709 compared to net loss of \$342,885 for the three months ended May 31, 2020 (“Q2”), an increase in income of \$726,594. The fluctuation is primarily due to:

- (i) during Q3 the Company recognition an unrealized gain on investments held of \$460,471 compared to unrealized gain of \$171,109 in Q2, for an increase of \$289,362; and
- (ii) during Q3 the Company recorded a realized loss on sale of investments of \$8,787 compared to a realized loss of \$417,613 in Q2, for a fluctuation of \$408,826.

Nine Months Ended August 31, 2020 Compared to the Nine Months Ended August 31, 2019

During the nine months ended August 31, 2020 (the “2020 period”) the Company reported a net loss of \$963,199 compared to a net loss of \$3,856,313 for the nine months ended August 31, 2019 (the “2019 period”), a decrease in loss of \$2,893,114. The fluctuation was primarily attributed to the following:

- (i) during the 2020 period the Company recorded an unrealized gain on investments held of \$209,712 compared to an unrealized loss of \$5,142,792 during the 2019 period, for a fluctuation of \$5,352,504 which was partially offset by the Company recording a realized loss of \$935,742 on the sale of investments compared to a realized gain of \$1,473,467 during the 2019 period, for a fluctuation of \$2,409,209;
- (ii) during the 2019 period the Company recorded other income of \$207,000 for accounting and administration fees charged to AcquiCo and OppCo. No charges were made during the 2020 period; and
- (iii) expenses decreased by \$163,316 from \$420,740 during the 2019 period to \$257,424 during the 2020 period.

Specific expenditures of note are as follow:

- (i) during the 2020 period the Company recorded share-based compensation of \$61,471 (2019 - \$164,405) on the vesting of deferred share units;
- (ii) during the 2020 period the Company incurred directors and officers compensation \$97,792 compared to \$129,954 during the 2019 period. See also “Related Party Disclosures”;
- (iii) during the 2020 period the Company incurred \$3,984 for travel compared to \$16,173 during the 2019 period due to COVID-19 restrictions;
- (iv) during the 2020 period the Company paid rent of \$7,164 for office space for a director in California; and
- (v) during the 2019 period the Company incurred \$8,250 for professional fees for website development.

Financing Activities

No financing activities were conducted by the Company during the 2020 or 2019 periods.

Investment Activities

During the 2020 period the Company made investment purchases totalling \$857,719 (2019 - \$1,862,897) and sold certain of its investments for proceeds of \$628,147 (2019 - \$3,417,610). See also “Investment Portfolio”.

Financial Condition / Capital Resources

During the 2020 period the Company recorded net loss of \$963,199 and, as at August 31, 2020, had working capital of \$5,035,554. Any investment decisions made by the Company will be dependent on its cash, investment portfolio and working capital situation at the time. The Company anticipates that it has sufficient funds to manage its investments and make additional investments over the next twelve months as opportunities arise. The Company may complete other opportunities which may entail significant expenditures and, as a result, the Company may be required to obtain additional financing or sell its investments as required. However, the investments are comprised of common shares in early stage development and the share prices are often volatile and there may be limited liquidity.

The Covid-19 outbreak has adversely impacted the value of the Company’s investment portfolio. 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 results of operations at this time.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (FVTPL); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	August 31, 2020 \$	November 30, 2019 \$
Cash	FVTPL	2,690,586	3,083,702
Amounts receivable	Amortized cost	3,000	13,700
Investments	FVTPL	2,361,361	2,857,819
Investment and advances to REWP	Amortized cost	1	1
Accounts payable and accrued liabilities	Amortized cost	(30,585)	(31,064)

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Fair Value

The fair values of the Company’s financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

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 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The recorded amounts for cash and investments approximate their fair value. The fair value of cash, amounts receivable and investment in common shares under the fair value hierarchy is measured using Level 1 and Level 3 inputs. The fair value of the investment in warrants is measured using Level 2 inputs.

The following is an analysis of the Company's financial assets measured at fair value as at August 31, 2020 and November 30, 2019:

	<u>August 31, 2020</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	\$	\$	\$
Cash	2,690,586	-	-
Amounts receivable	3,000	-	-
Investments	<u>2,290,805</u>	<u>3,056</u>	<u>67,500</u>
	<u>4,984,391</u>	<u>3,056</u>	<u>67,500</u>
	<u>November 30, 2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	\$	\$	\$
Cash	3,083,702	-	-
Amounts receivable	13,700	-	-
Investments	<u>2,724,041</u>	-	<u>133,778</u>
	<u>5,821,443</u>	-	<u>133,778</u>

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

Contractual Maturity Analysis at August 31, 2020					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	2,690,586	-	-	-	2,690,586
Amounts receivable	3,000	-	-	-	3,000
Investments	2,361,361	-	-	-	2,361,361
Investment in and advances to REWP	-	-	1	-	1
Accounts payable and accrued liabilities	(30,585)	-	-	-	(30,585)

Contractual Maturity Analysis at November 30, 2019					
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	3,083,702	-	-	-	3,083,702
Amounts receivable	13,700	-	-	-	13,700
Investments	2,857,819	-	-	-	2,857,819
Investment in and advances to REWP	-	-	1	-	1
Accounts payable and accrued liabilities	(31,064)	-	-	-	(31,064)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and demand deposits bear floating rates of interest. The interest rate risk on cash and on the Company's obligations, are not considered significant.

(b) Equity Price Risk

The Company holds investments in publicly traded equity securities. Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. It is not possible for the Company to predict the duration or magnitude of the adverse results of the COVID-19 outbreak and its effects on the Company's investment portfolio at this time.

(c) Concentration Risk

As at August 31, 2020, \$1,999,170 of the Company's portfolio of investments were held in four companies. These investments represent approximately 85% of the Company's investment portfolio and poor performance in the market price of these investments could adversely affect the Company's results.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its investment. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital. The Company will continue to monitor the impact of COVID-19 and assess new investment opportunities as they arise and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's approach to capital management during the nine months ended August 31, 2020 or fiscal 2019. The Company is not subject to any externally imposed capital requirements.

Changes in Accounting Policies

Effective December 1, 2019, the Company adopted IFRS 16 - *Leases* (“IFRS 16”)

IFRS 16, which replaces IAS 17 - *Leases* (“IAS 17”) and its associated interpretative guidance specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019.

Management has determined that there was no impact on the Company’s condensed consolidated interim financial statements upon the adoption of this new standard.

A detailed summary of all the Company’s significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the November 30, 2019 audited annual consolidated financial statements.

Related Party Disclosures

(a) Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company’s Board of Directors and executive officers.

(i) During the 2020 and 2019 periods the following compensation amounts were incurred:

	2020	2019
	\$	\$
Mr. Dave Doherty, President, CEO and Director	42,408	41,864
Mr. Nick DeMare, CFO and Director	22,500	22,500
Mr. Daniel Sorger, Director	32,883	65,589
Share-based compensation - Mr. Dave Doherty	22,767	54,802
Share-based compensation - Mr. Nick DeMare	2,277	5,480
Share-based compensation - Mr. Daniel Sorger ⁽¹⁾	13,660	32,881
Share-based compensation - Mr. Marc Cernovitch	11,384	27,401
Share-based compensation - Mr. Luke Norman, former Director	-	16,441
	<u>147,879</u>	<u>266,958</u>

(1) Mr. Sorger was not nominated for re-election as a director of the Company at the Company’s AGM held September 29, 2020.

As at August 31, 2020 \$21,448 (November 30, 2019 - \$13,879) remained unpaid.

(ii) During the 2020 period the Company incurred a total of \$31,550 (2019 - \$37,450) by Chase Management Ltd. (“Chase”), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at August 31, 2020, \$5,500 (November 30, 2019 - \$5,900) remained unpaid.

During the 2020 period the Company also recorded \$11,384 (2019 - \$27,401) share-based compensation for 250,000 DSUs granted to Chase

(b) Rockshield Acquisition Corp. (“Rockshield Acquisition”) and Rockshield Opportunities Corp. (“Rockshield Opportunities”) have two directors in common, David Doherty and Nick DeMare. During the 2019 period the Company invoiced Rockshield Acquisition and Rockshield Opportunities a total of \$207,000 for accounting, management and administration services provided. No fees were charged by the Company during the 2020 period.

- (c) During the nine months ended August 31, 2020 the Company advanced \$3,000 to Rockshield Opportunities. The advance is non-interest bearing and repayable on demand. As at August 31, 2020 the amount remained unpaid.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at October 30, 2020 there were 45,595,354 issued and outstanding common shares. In addition, the Company has DSUs outstanding. As of the date of this MD&A, a total of 950,000 DSUs have been vested and are issuable to the grantee upon departure from the Company.