

# CAPTIVA VERDE LAND CORP.

## Management's Discussion and Analysis

### For the period ended July 31, 2017

(Expressed in Canadian dollars, unless otherwise noted)

September 28, 2017

*For further information on the Company, reference should be made to its public filings on SEDAR at [www.sedar.com](http://www.sedar.com). This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements for the three months ended July 31, 2017 and 2016 and the nine months ended July 31, 2017 and period of incorporation (November 9, 2015) to July 31, 2016, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards. The MD&A contains certain Forward Looking Statements which are provided on Page 11.*

## CORPORATE OVERVIEW

Captiva Verde Land Corp. ("Captiva Verde" or the "Company") is a company which plans to enter into the business of developing sustainable real estate projects.

Captiva Verde was incorporated as Just Baseball Limited and changed its name to Captiva Verde Land Corp. on March 3, 2017. The Company was incorporated under the British Columbia Business Corporations Act on November 9, 2015. The Company's registered and records office is located at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

### *Going concern*

These financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The nature of the Company's primary business is planned to be the acquisition, management, development, and possible sale of real estate projects. The Company had a net loss of \$103,123 for the period ended July 31, 2017 and as at July 31, 2017 has an accumulated deficit of \$103,123. As at July 31, 2017, the Company has working capital of \$117,786. To date, the Company has no existing business operations and no history of earning or revenues. Should the Company be unable to raise any additional funds to undertake planned development, it could have a material adverse effect on its financial condition and cause significant doubt about the Company's ability to continue as a going concern. If the going concern basis were not appropriate for these financial statements, then possible adjustments would be necessary to the comprehensive loss and the financial position classification.

## HIGHLIGHTS – PERIOD ENDED JULY 31, 2017

- On April 26, 2017, the Company completed an acquisition pursuant to a plan of arrangement ("Plan of Arrangement") by entering into an arrangement agreement made effective as of February 21, 2017 (the "Arrangement Agreement") among the Company and Captiva Verde Industries Inc. ("CVI"), whereby CVI shareholders acquired shares of the Company (the "Transaction").
- Pursuant to the Arrangement Agreement, the Company issued one share of the Company for every share of CVI to the shareholders of CVI. The Arrangement Agreement resulted in the issuance of 63,465,871 common shares of the Company to the shareholders of CVI.
- Pursuant to the Transaction, the Company became a reporting issuer in British Columbia, Alberta and Ontario under new CUSIP number 14075E and ISIN number CA14075E1007.
- On July 4, 2017, the Company closed a private placement and issued 4,560,000 units at a price of \$0.05 per unit for gross proceeds of \$228,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. The Company paid finder's fee in the aggregate amount of \$4,550 and incurred \$7,602 in issuance costs.

- Subsequent to period end on September 7, 2017, the Company closed a private placement and issued 1,050,000 units at a price of \$0.05 per unit for gross proceeds of \$52,500. Each unit consists of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. Company paid finder's fee in the aggregate amount of \$525.

## SUMMARY OF LOSS

	Three Months Ended July 31, 2017	Three Months Ended July 31, 2016	Nine Months Ended July 31, 2017	Period ended Nov. 9, 2015 to July 31, 2016
<b>Expenses</b>				
Administrative fees	\$ (1,288)	\$ -	\$ (1,288)	\$ -
Accounting and audit fees	(1,695)	-	(1,695)	-
Consulting fees	(9,199)	-	(9,199)	-
Filing fees	(6,207)	-	(11,964)	-
Foreign exchange	355	-	355	-
Travel	(2,329)	-	(2,329)	-
Legal and professional fee	(7,760)	-	(77,003)	-
<b>Net loss after tax</b>	(28,123)	-	(103,123)	-
<b>Other comprehensive (loss) income ("OCI")</b>	-	-	-	-
<b>Loss and comprehensive loss for the period</b>	(28,123)	-	(103,123)	-
<b>Basic/Diluted loss per share</b>	\$ (0.00)	\$ -	\$ (0.00)	\$ -

The Company incurred a net loss after tax of \$103,123 for the nine months ended July 31, 2017 compared to \$nil in the period ended November 9, 2015 to July 31, 2016. The increase in net loss is related to the company starting operations in the current year while being inactive during the comparative period. The Company had a basic and diluted loss per share of \$(0.00) is consistent with the comparative period.

The Company incurred a net loss after tax of \$28,123 for the three months ended July 31, 2017 compared to \$nil in the three months ended July 31, 2016. The increase in net loss is related to the company starting operations in the current year while being inactive during the comparative period. The Company had a basic and diluted loss per share of \$(0.00) is consistent with the comparative period.

### Consolidated quarterly loss – 8 quarters historic trend

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016*	Q4 2015**
Expenses	\$ (28,123)	\$ (75,000)	-	-	-	-	-	-
Net loss	\$ (28,123)	\$ (75,000)	-	-	-	-	-	-
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive gain (loss)	\$ (28,123)	\$ (75,000)	-	-	-	-	-	-
Basic/Diluted loss per share	(0.00)	(0.00)	0.00	0.00	0.00	0.00	0.00	N/A
Total assets	205,417	1	1	1	1	1	1	-

\*Q1 2016 represents the period ended November 9, 2015 to January 31, 2016.

\*\*Company was not incorporated prior to November 9, 2015 (Q1 2016\*).

### **Three months ended July 31, 2017 compared to all historic quarters**

The Company incurred a net loss and total comprehensive loss of \$28,123 in the current quarter which is higher than all comparative periods from Q1 2017 and prior as a result of the company starting operations in Q2 2017. The net loss and total comprehensive loss is lower than Q2 2017 as in Q2 2017 the Company had the plan of arrangement transaction and other costs incurred to start operations which weren't repeated in the current quarter.

### **Change in total assets**

Total assets are \$205,417 in the current period while they were nil in the all historic quarters. The increase is due to the company starting operations and completing a private placement in the current period.

## **LIQUIDITY AND CAPITAL RESOURCES**

<i>(table amounts are expressed in CAD dollars)</i>	<b>Nine months ended July 31, 2017</b>	<b>Period ended Nov. 9, 2015 to July 31, 2016</b>
Cash outflows from operating activities	\$ (43,148)	\$ -
Cash inflows from financing activities	231,537	1
Cash outflows from investing activities	-	-
Net cash flows	188,389	1
Cash balance	\$ 188,390	\$ 1

As at July 31, 2017, the Company's net working capital was \$117,786. This is the first year of activity for the Company and during the year the company received a loan from a shareholder for \$50,000 and completed a private placement for gross proceeds of \$228,000 which were used to commence operations.

The Company's ability to continue as a going concern is dependent on the Company's ability to raise funds.

## **SHAREHOLDERS' EQUITY**

As at July 31, 2017, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at July 31, 2017 the issued and outstanding share capital consists of 68,025,872 common shares. As at the date of this report the issued and outstanding share capital consists of 69,075,872 common shares.

On April 26, 2017, Captiva Verde Land Corp. completed an acquisition pursuant to a plan of arrangement ("Plan of Arrangement") by entering into an arrangement agreement made effective as of February 21, 2017 (the "Arrangement Agreement") among the Company and Captiva Verde Industries Inc. ("CVI"), whereby CVI shareholders acquired shares of the Company (the "Transaction").

Pursuant to the Arrangement Agreement, the Company issued one share of the Company for every share of CVI to the shareholders of CVI. The Arrangement Agreement resulted in the issuance of 63,465,871 common shares of the Company to the shareholders of CVI at a deemed value of \$nil.

Pursuant to the Transaction, the Company became a reporting issuer in British Columbia, Alberta and Ontario under new CUSIP number 14075E and ISIN number CA14075E1007.

On July 4, 2017, the Company closed a private placement and issued 4,560,000 units at a price of \$0.05 per unit for gross proceeds of \$228,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. The Company paid finder's fee in the aggregate amount of \$4,550 and incurred \$7,602 in issuance costs.

On September 7, 2017, the Company closed a private placement and issued 1,050,000 units at a price of \$0.05 per unit for gross proceeds of \$52,500. Each unit consists of one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.10 for a period of five years after closing date. Company paid finder's fee in the aggregate amount of \$525.

Table below provides a summary of the share purchase warrants outstanding as at July 31, 2017.

Number of warrants	Exercise price per warrant	Expiry date
2,280,000	\$0.10	July 4, 2022
2,280,000		

Table below provides a summary of the share purchase warrants outstanding as at the date of this report.

Number of warrants	Exercise price per warrant	Expiry date
2,280,000	\$0.10	July 4, 2022
525,000	\$0.10	September 7, 2017
2,805,000		

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at the date of this report, the Company did not have any off-balance sheet arrangements.

### *Related Party Transactions*

None.

### *Financial Instruments*

The Company reports its financial instruments on its balance sheet and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

**Categories of financial instrument**

	July 31, 2017		October 31, 2016	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Fair value through profit and loss (“FVTPL”)</i>				
Cash	188,390	188,390	1	1
<i>Loans and receivables</i>				
Other receivables	6,510	6,510	-	-
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	77,002	77,002	-	-
Loan payable	4,119	4,119	-	-

**Fair value**

Financial instruments measured at fair value are grouped into Level 1 to 3 based on the degree to which fair value is observable:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – significant observable inputs other than quoted prices included in Level 1
- Level 3 – significant unobservable inputs

Cash is measured at Level. The Company did not move any instruments between levels of the fair value hierarchy during the three and nine months ended July 31, 2017 and October 31, 2016.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently not exposed to any interest rate risk.

*Credit Risk*

The Company is exposed to credit risk through its cash, which is held in large Canadian financial institutions with high credit rating, deposits and other receivables. The Company believes the credit risk is insignificant. The Company’s exposure is limited to amounts reported within the statement of financial position.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, the Company will need to generate cash flow from the sale or otherwise disposition of property or raise additional funds.

**Significant Accounting Policies****Basis of presentation**

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies. All information is expressed in Canadian dollars unless otherwise stated and are prepared in accordance with the significant accounting policies outlined below.

Certain other prior period balances have been reclassified to conform with current period presentation.

## **Cash**

Cash includes cash on deposit and short-term investments with a maturity at the date of purchase of 90 days or less.

## **Financial Instruments – recognition and measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### *Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), loans and receivables, or other liabilities and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Financial assets classified as FVTPL are measured at fair values with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment is below its cost.

### *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

### *Impairment of financial instruments*

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

- For available-for-sale financial assets, an impairment loss is established when there is a significant or prolonged decline in the fair value of the investment or when there is objective evidence that the carrying amount of the investment may not be recovered. The amount of the impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognized in the statement of loss and comprehensive loss. Any amounts related to that asset are removed from losses accumulated in the fair value reserve recognized in shareholder’s equity and are included in the statement of loss and comprehensive loss. Reversals in respect of available-for-sale financial assets are not reversed through the statement of loss and comprehensive loss. Any increase in fair

value subsequent to an impairment loss is recognized directly in other comprehensive income (loss) until the assets are disposed of.

- For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of provision account and the amount of the loss is recognized in the statement of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of loss and comprehensive loss.

## **Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period.

### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax assets or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable or deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognized directly in equity is recognized in the statements of changes in equity and not in the statements of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### **Share-based payments**

The Company accounts for share-based compensation using the Black-Scholes option pricing model. Accordingly, the fair value of the options at the date of grant is accrued with a corresponding credit to equity compensation reserve, and charged to earnings over the vesting period. If, and when, the stock options are exercised, the applicable amounts of equity compensation reserve are transferred to share capital.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. At the present time the Company has no provisions.

### **Earnings per share**

Earnings per share is calculated based on the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should “in-the-money” options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options and warrants, if dilutive.

### **Future changes in accounting policies not yet adopted**

The following are future accounting policy changes which although they have not effect on the Company at present, may have an effect on the Company’s future operations:

#### *IFRS 15 Revenues from Contracts with Customers (“IFRS 15”)*

This standard was issued on May 28, 2014 and will replace IAS 11 Construction Contracts (“IAS 11”), IAS 18 Revenue (“IAS 18”), and related interpretations. This new standard outlines a single comprehensive model to be used in recognizing revenue arising from contracts with customers, and contains more prescriptive guidance than in IAS 11, IAS 18 and related interpretations. The core principle in IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 at the effective date and does not expect this pronouncement to have a significant impact on its financial statements. The Company does not currently generate revenue. The Company will reassess the impact once significant revenue is generated.

#### *IFRS 9 Financial instruments (“IFRS 9”)*

On July 25, 2014, the final publication of this standard was issued, and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance for the classification of financial assets based on the contractual cash flow characteristics of the financial assets and the Company’s business model for managing financial assets. Changes in the fair value of an entity’s own debt when it is classified as fair value through profit or loss (“FVTPL”), to the extent that they relate to changes in the entity’s own credit risk, are recognized in other comprehensive income. The new standard also requires a single impairment model to be used, replacing the multiple impairment models in IAS 39. The standard is effective for reporting periods beginning on or after January 1, 2018,



with early adoption permitted. The Company will adopt IFRS 9 at the effective date and does not expect this pronouncement to have a significant impact on the financial statements given the extent of its current use of financial instruments.

*IFRS 16, Leases (“IFRS 16) and revised IAS 17 (“IAS 17)*

The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company will adopt IFRS 16 at the effective date and does not expect this pronouncement to have a significant impact on the financial statements given the extent of its current use of leases.

***Risk and uncertainties***

The operations of the Company are speculative due to the nature of its business which is the investment in real estate projects. These risk factors could materially affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The list of risk factors below should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its securities.

*No History of Revenue*

There is no guarantee that the Company will enter into profitable agreements and earn revenue from operations.

The Company is in the business of real estate speculation, exploring for, with the ultimate goal of developing real estate projects.

*Acquisition Strategy*

As part of the Company’s business strategy, it has sought and will continue to seek new real estate projects. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

*The Company may not realize the benefits of its growth projects*

As part of its strategy, the Company will continue existing efforts and initiate new efforts to develop new real estate projects. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical, and technological risks, and uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

*Current Global Financial Conditions*

Events over the last number of years in global financial markets, including sovereign debt crises, have had a profound impact on the global economy and global financial conditions have been subject to volatility. Many industries, including the real estate sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of

available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's business, financial condition, results of operations and ability to grow.

#### *Financing Risk*

The Company is limited in financial resources and has no assurance that additional funding will be available for further development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or infinite postponement of further development of its projects with the possible loss of such properties.

#### *Competition*

The real estate industry is highly competitive. The Company competes with other domestic and international real estate companies that have greater financial, human and technical resources. The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations than the Company can. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share to the Company's detriment. The Company may also encounter increasing competition from other companies in the Company's efforts to hire experienced professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable properties or prospects in the future. As a result of this competition, the Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### *Reliance on Key Individuals*

The Company's success depends on its ability to attract and retain the services of key personnel who are qualified and experienced. In particular, the success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Company's directors and senior management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of these individuals could have a material adverse effect on the Company.

The real estate industry is largely driven by fluctuations in market prices which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn adversely affect the development of the Company's projects, the results of operations and the Company's financial condition and prospectus.

#### *Dividend Policy*

No dividends on the Common Shares have been paid by the Company to date. The Company anticipates that it will retain all earnings and other cash resources for the foreseeable future for the operation and development of its business. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

#### *Conflicts of Interest*

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in real estate development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British

Columbia) and other applicable laws.

#### *Additional Capital*

Development of real estate projects may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of development or production or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on satisfactory terms.

#### *Foreign Exchange Rate Fluctuations*

Operations in Canada and US are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the majority of the expenditures of the Company are denominated in other foreign currencies. The Company may suffer losses due to adverse foreign currency fluctuations.

#### *Insurance Risk*

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failure, cave-ins, mechanical failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, fires, floods and earthquakes. Such occurrences could result in damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, the Company's insurance will not cover all the potential risks associated with the company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as loss of title to property, environmental pollution, or other hazards as a result of production is not generally available to the Company or other companies on acceptable terms. The Company may also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

#### *Force Majeure*

The Company's projects now or in future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

#### *Forward Looking Statements*

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking statements and information herein include, but are not limited to, statements regarding prospective development of its real estate projects. The Company does not intend to, and does not assume any obligation to update such forward-looking statements or information, other than as required by applicable law.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company and its operations to be materially different from those expressed or implied by such statements. Such factors include, among others: ability to finance various development, fluctuations in real estate prices, fluctuations in the currency markets (particularly in Canadian dollar and U.S. dollar); changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in various countries; operating or technical difficulties in various Company developments; risks and hazards of real estate development and industrial accidents, unusual or unexpected geological conditions, pressures, inadequate insurance, or inability to obtain insurance; availability of and costs associated with inputs and labour; the speculative nature of real estate development, risks in obtaining necessary licenses and permits, and challenges to the Company's title to various projects.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or information, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended. There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements or information.