

# CAPTIVA VERDE LAND CORP.

## Management's Discussion and Analysis

### For the year ended October 31, 2018

(Expressed in Canadian dollars, unless otherwise noted)

February 27, 2019

*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 audited financial statements for the year ended October 31, 2018, 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 at the end of this document.*

## CORPORATE OVERVIEW

Captiva Verde Land Corp. ("Captiva Verde" or the "Company") is a sustainable real estate company that invests in assets that contain green residential communities, disruptive manufacturing facilities, organic food production and Hemp Seed Oil operations.

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*

The 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 \$196,853 for the year ended October 31, 2018 (October 31, 2017 - \$171,025 loss) and as October 31, 2018 has an accumulated deficit of \$367,878 (October 31, 2017 - \$171,025). As at October 31, 2018, the Company has working capital deficit of \$68,218 (October 31, 2017 - working capital of 114,669). To date, the Company has no existing business operations and no history of earning or revenues. On October 10, 2018, the Company raised gross proceeds of \$500,000 for Prospectus Offering, under the Offering, the Company issued 5,000,000 common shares of the Company at a price of \$0.10 per Share. If the Company is unable to raise any additional funds in the future 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 – YEAR ENDED OCTOBER 31, 2018

- On October 10, 2018, the Company announced that pursuant to the terms of the acquisition agreement with Greenbriar Capital (U.S.) LLC ("Greenbriar"), it completed the acquisition of a 50% undivided interest in a property located in Tehachapi, California. As consideration for the Acquisition, the Company issued 10,687,500 common shares of the Company to Greenbriar and \$112,500 was paid in cash.
- On October 10, 2018, the Company closed prospectus offering. Under the offering, the Company issued 5,000,000 common shares at a price of \$0.10 per Share for gross proceeds of \$500,000. In consideration for acting as agent, the Agent received a cash commission of \$35,000, such amount being equal to 7% of the gross proceeds of the Offering, a corporate finance fee consisting of a cash portion and 300,000 common shares of the Company. The Company also issued the Agent options to purchase 350,000 common shares of the Company at a price of \$0.10 for a period of 36 months after closing of the Offering.

- Subsequent to October 31, 2018, on November 13, 2018, the Company closed a private placement and issued 2,000,000 units at \$0.14 per unit for gross proceeds of \$280,000. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.25 for a period of one year from the date of closing.
- Subsequent to October 31, 2018, on January 10, 2019 the Company announced that the Supreme Court of Mexico has legalized Hemp Seed Oil for all forms of adult use and the Company proposes the issuance of one million common shares of Captiva Verde Land Corp, payable to S & G upon approval of the Canadian Securities Exchange where S & G will be responsible for the infusion and distribution of finished Hemp Seed Oil products for the local and export market. In addition, Captiva has reached an agreement dated Jan. 10, 2019 with S & G Procesos Industriales, S.A de C.V ("S & G") of Mexico, for the acquisition of Hemp Seed Oil Licenses, related land and facilities in the Republic of Mexico once the defined regulations are finalized by the newly elected administration. S&G will receive from Captiva a M&A fee of 7% of the proceeds to be paid by Captiva for such licenses, land and facilities. The final price will be settled when the regulations by the newly elected administration are complete and Captiva will seek financing at the project level by credit facilities with repayments from a percentage of product sales. Captiva will provide updates as the regulations mandated by the Supreme Court are finalized. Law requires the administration to have the regulations in place within 90 days of the Oct. 31, 2018 ruling but Captiva expects some delays within the administration.
- Subsequent to October 31 2018, on February 26, 2019, the Company closed a private placement and issued 3 million units at \$0.10 per unit for gross proceeds of \$300,000. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.25 for a period of one year from the date of closing.

## LAND ACQUISITION AGREEMENT

On October 1, 2017, the Company entered into an acquisition agreement with Greenbriar Capital (U.S.) LLC to purchase a 50% undivided interest in approximately 132 acres of real property located in the City of Tehachapi, California, USA. The acquisition represents a non-arm's length transaction as the Chief Executive Officer of the Company, Jeffrey Ciachurski, is also the Chief Executive Officer of Greenbriar. The purchase price of \$2,250,000 is divided into 5% payable by a one-year interest-free promissory note and 95% in common shares representing 10,687,500 common shares of the Company.

On October 9, 2018, the Company announced that pursuant to the terms of the acquisition agreement with Greenbriar, the Company completed the acquisition of the 50% undivided interest in a property located in Tehachapi, California. As consideration for the Acquisition, the Company issued 10,687,500 common shares of the Company to Greenbriar and the \$112,500 one-year interest free loan was immediately settled in cash upon closing.

	October 31, 2018	October 31, 2017
Opening	\$ -	\$ -
Shares issued (10,687,500 common shares at \$0.10 per share)	1,068,750	-
Cash	112,500	-
Capitalized costs	193,355	-
	<b>1,374,605</b>	-

## DISCUSSION OF OPERATIONS

	Note	Year Ended October 31,		
		2018	2017	2016
<b>Expenses</b>				
Administrative fees		\$ (73,383)	\$ (1,945)	-
Consulting fees	10	(50,964)	(43,202)	-
Filing fees		(15,311)	(10,968)	-
Legal and professional fee		(30,731)	(100,008)	-
Foreign exchange loss		(2,231)	(997)	-
Travel		(24,233)	(7,860)	-
<b>Net loss</b>		(196,853)	(171,025)	-
<b>Other comprehensive (loss) income (“OCI”)</b>				
		-	-	-
<b>Loss and comprehensive loss for the period</b>		\$ (196,853)	\$ (171,025)	\$ -
<b>Loss per share</b>				
Basic and diluted		\$ (0.00)	(0.00)	(0.00)
<b>Weighted average shares outstanding</b>				
Basic and diluted		70,624,221	34,385,028	1

### Year ended October 31, 2018 compared to year ended October 31, 2017 and 2016

Revenue is \$nil for the year ended October 31, 2018, 2017 and 2016 as the Company has not developed any projects to the revenue generation stage. The Company incurred a net loss after tax of \$196,853, for the year ended October 31, 2018 compared to \$171,025 in the year ended October 31, 2017, \$nil for the period from incorporation (November 9, 2015) to October 31, 2016. The increase in net loss is the result of increased corporate activity due to the Company beginning operations. The basic and diluted loss per share of \$(0.00) is consistent with the comparative period.

	October 31, 2018	October 31, 2017	October 31, 2016
Cash and cash equivalents	\$ 268,212	\$ 155,984	\$ 1
Total assets	1,652,426	214,430	1
Non-current financial liabilities	-	-	-
Cash dividends declared	\$ 0.00	\$ 0.00	\$ 0.00

Cash and cash equivalents are \$268,212 as at October 31, 2018 which is higher than the comparative period due to the Company completing a Prospectus Offering for \$500,00 in the current period. Total assets are \$1,652,426 as at October 31, 2018 compared to \$214,430 as at October 31, 2017 and \$1 as at October 31, 2016. The increase is a result of the Company closing the land acquisition in the current period. Non-current financial liabilities are \$nil as at October 31, 2018, and the comparative period of October 31, 2017 as the Company has not incurred any non-current financial liabilities at this stage. There were no cash dividends declared as at October 31, 2018, October 31, 2017 or October 31, 2016.

**Summary of Quarterly Results**

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Expenses	\$ (121,228)	\$ (17,587)	\$ (8,811)	\$ (49,227)	\$ (67,902)	\$ (28,123)	\$ (75,000)	-
Net loss	(121,228)	(17,587)	(8,811)	(49,227)	(67,902)	(28,123)	(75,000)	-
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive gain (loss)	(121,228)	\$ (17,587)	\$ (8,811)	\$ (49,227)	\$ (67,902)	\$ (28,123)	\$ (75,000)	-
Basic/Diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	0.00
Total assets	\$ 1,652,426	\$ 269,981	\$ 251,902	\$ 253,093	\$ 214,430	\$ 205,417	\$ 1	\$ 1

**Three months ended October 31, 2018 compared to all historic quarters**

The Company incurred a net loss and total comprehensive loss of \$121,228 in the current quarter which is higher than the historic quarters. The increase is related to legal and professional fees incurred on the various transactions as the Company implements its business plan and the Company starting operations in Q4 2017.

**Change in total assets**

Total assets are \$1,652,426 in the current period which is higher than all historic quarters. The increase is due to the Company closed the land acquisition and defer costs incurred with the prospectus in current period.

**LIQUIDITY AND CAPITAL RESOURCES**

<i>(tabled amounts are expressed in CAD dollars)</i>	Year ended October 31, 2018	Year ended October 31, 2017	Year ended October 31, 2016
Cash inflow (outflows) from operating activities	\$ (40,408)	\$ (131,035)	\$ -
Cash inflow (outflows) from financing activities	323,498	287,018	1
Cash inflow (outflows) from investing activities	(170,862)	-	-
Net cash flows	112,228	155,983	1
Cash balance	\$ 268,212	\$ 155,984	\$ 1

As at October 31, 2018, the Company's net working capital deficit was \$68,218 (October 31, 2017 – working capital \$114,669).

Cash outflows from operating activities of \$40,408 were lower than the outflows in the comparative period in 2017 due to change in working capital items net of corporate expenses.

Cash inflows from financing activities of \$323,498 were higher than the inflows in the comparative period in 2017 due to the Company completing the Prospectus Offering.

Cash outflows from investing activities of \$170,862 were higher than the comparative period in 2017 due to the Company completing the property acquisition.

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

### **Commitments**

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The Company did not have any commitments as at October 31, 2018. As at the date of this report the Company proposes the issuance of one million common shares to S & G upon approval of the Canadian Securities Exchange where S & G will be responsible for the infusion and distribution of finished Hemp Seed Oil products for the local and export market. In addition, Captiva has reached an agreement dated Jan. 10, 2019 with S & G Procesos Industriales, S.A de C.V ("S & G") of Mexico, for the acquisition of Hemp Seed Oil Licenses, related land and facilities in the Republic of Mexico once the defined regulations are finalized by the newly elected administration. S&G will receive from Captiva a M&A fee of 7% of the proceeds to be paid by Captiva for such licenses, land and facilities.

The final price will be settled when the regulations by the newly elected administration are complete and Captiva will seek financing at the project level by credit facilities with repayments from a percentage of product sales. Captiva will provide updates as the regulations mandated by the Supreme Court are finalized. Law requires the administration to have the regulations in place within 90 days of the Oct. 31, 2018 ruling but Captiva expects some delays within the administration.

### **Capital management**

The capital of the Company consists of items included in shareholder's equity. The Company's objectives for capital management are to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue to evaluate and plan to enter into the business of developing sustainable real estate projects.

The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at October 31, 2018 the Company expects its capital resources will require additional support for its normal operating requirements and to continue to evaluate and plan to enter into the business of developing sustainable real estate projects. for the next twelve months. There are no externally imposed capital requirements to which the Company has not complied.

## **SHAREHOLDERS' EQUITY**

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at October 31, 2018, the Company had 85,648,091 common shares, 3,447,360 share purchase warrants and nil share purchase options outstanding. As at the date of this report, the Company had 90,748,091 common shares, 5,847,360 share purchase warrants and 3,750,000 share purchase options outstanding.

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

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 the closing date.

On September 6, 2017, the Company closed a private placement and issued 900,000 units at a price of \$0.05 per unit and on September 7, 2017, the Company closed a private placement and issued 150,000 units at a price of \$0.05 per unit for a total combined 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 the closing date.

On September 29, 2017, the Company closed a private placement and issued 584,720 units at a price of \$0.05 per unit for gross proceeds of \$29,236. 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 the closing date.

On October 10, 2018, the Company closed prospectus offering. Under the offering, the Company issued 5,000,000 common shares at a price of \$0.10 per Share for gross proceeds of \$500,000. In consideration for acting as agent, the Agent received a cash commission of \$35,000, such amount being equal to 7% of the gross proceeds of the Offering, a corporate finance fee consisting of a cash portion and 300,000 common shares of the Company. The Company also issued the Agent options to purchase 350,000 common shares of the Company at a price of \$0.10 for a period of 36 months after closing of the Offering.

On October 10, 2018, the Company also announced that pursuant to the terms of the acquisition agreement with Greenbriar Capital (U.S.) LLC (“Greenbriar”), it completed the acquisition of a 50% undivided interest in a property located in Tehachapi, California. As consideration for the Acquisition, the Company has issued 10,687,500 common shares of the Company to Greenbriar and \$112,500 was paid through a one year interest free loan.

Subsequent to October 31, 2018, on November 13, 2018, the Company closed a private placement and issued 2,000,000 units at a price of \$0.14 per unit for gross proceeds of \$280,000. Each unit comprises one common share and one half common share purchase warrant. Each warrant will be exercisable into one common share at \$0.25 for a period of one year after the closing date.

Subsequent to October 31, 2018, on February 26, 2019, the Company closed a private placement and issued 3,000,000 units at \$0.10 per unit for gross proceeds of \$300,000. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.25 for a period of one year from the date of closing.

On November 29, 2018 the Company issued share-purchase options totaling 3,750,000 options at a price of \$0.11 per share for a term of five years.

On February 7, 2019, 100,000 share-purchase warrants were exercised for gross proceeds of \$10,000.

Table below provides a summary of the share purchase warrants outstanding as at October 31, 2018:

Number of warrants	Exercise price per warrant	Expiry date
2,280,000	\$0.10	July 4, 2022
450,000	\$0.10	September 6, 2022
75,000	\$0.10	September 7, 2022
292,360	\$0.10	September 29, 2022
350,000	\$0.01	October 10, 2021
<b>Total:</b> 3,447,360		

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
350,000	\$0.10	September 6, 2022
75,000	\$0.10	September 7, 2022
292,360	\$0.10	September 29, 2022
350,000	\$0.01	October 10, 2021
1,000,000	\$0.25	November 13, 2019
1,500,000	\$0.25	February 25, 2020
<b>Total:</b> 5,847,360		

Table below provides a summary of the share purchase options outstanding as at the date of this report:

Number of options	Exercise price per warrant	Expiry date
3,750,000	\$0.11	November 29, 2023
Total: 3,750,000		

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at October 31, 2018, the Company did not have any off-balance sheet arrangements.

### *Related Party Transactions*

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

The remuneration of the Company's directors and other key management personnel during the period ended October 31, 2018 and 2017 are as follows:

	October 31, 2018	October 31, 2017
Consulting fees	\$ 51,256	\$ 32,172

These expenses were measured at the exchange amounts agreed upon by the parties. As at October 31, 2018 the Company had amounts payable of \$73,798 (October 31, 2017 - \$12,437) to these parties. These amounts are unsecured and non-interest bearing.

As at October 31, 2018, the Company had a prepaid advance to a director and shareholder for \$nil (October 31, 2017 – \$28,998) The advance is non-interest bearing and unsecured.

For the year ended October 31, 2018 the Company paid \$40,000 to a director and shareholder of the Company related to office space and admin expense (October 31, 2017 - \$nil).

During the year ended October 31, 2017, the Company advanced \$6,510 to Greenbriar Capital Corp. which is a related party as a result of having the same CEO and directors in common. The advance is non-interest bearing, unsecured and was repaid during the period. The Company also acquired the 50% interest in the land from Greenbriar (see disclosure under Land Acquisition Agreement)..

### *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, other receivables and accounts payable and accrued liabilities. 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	October 31, 2018		October 31, 2017	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Fair value through profit and loss (“FVTPL”)</i>				
Cash	268,212	268,212	155,984	155,984
<i>Loans and receivables</i>				
Other receivables and advances	9,609	9,609	7,398	7,398
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	346,039	346,039	94,761	94,761

### 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 1.

### 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 development or sale of future properties 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 fair value through other comprehensive income (“FVTOCI”) 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 FVTOCI 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 FVTOCI 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.

### *New Accounting Standards Adopted during the period*

#### *IFRS 9 – Financial Instruments (“IFRS 9”)*

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard was adopted on January 1, 2018 and the impact to the Company’s financial statements will be to classify its investments to fair value through profit or loss. The Company adopted IFRS 9 retrospectively without restatement of comparative amounts resulting in a reclassification of \$26.0 from accumulated other comprehensive income to deficit on January 1, 2018. Future changes in the fair value of these investments will be recorded directly in profit or loss. No other differences of any significance have been noted in relation to the adoption of IFRS 9.

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

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on January 1, 2018 and did not have an impact on the financial statements.

*New Accounting Standards Issued But Not Yet Effective*

*IFRS 16 – Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

*Risk and uncertainties*

For full details on the risks and uncertainties affecting the Company, please refer to the risk factors as described in the prospectus.

## **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 the 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.