

# CAPTIVA VERDE LAND CORP.

## Management's Discussion and Analysis

### For the period ended April 30, 2019

(Expressed in Canadian dollars, unless otherwise noted)

June 24, 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 the unaudited condensed consolidated interim financial statements for the three months ended April 30, 2019, 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 in addition to organic food production and Hemp Seed Oil operations. The Company had a net loss of \$964,215 for the period ended April 30, 2019 (April 30, 2018 - \$58,038 loss) and as at April 30, 2019 has an accumulated deficit of \$1,332,093 (October 31, 2018 - \$367,878). As at April 30, 2019, the Company has working capital deficit of \$349,009 (October 31, 2018 - \$68,218). To date, the Company has no existing business operations and no history of earning or revenues. 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 – PERIOD ENDED APRIL 30, 2019

- On April 16, 2019, the Company received 4-0 approval from the Planning and Zoning Commission in California for its 1,042 unit \$350 Million subdivision. The Company and its JV partner, Greenbriar Capital Corp, is in advanced discussions with the US Air Force to lease the 1,042 units to the military for the members and families of its civilian, military and contractor workforce at Edwards Air Force Base and related facilities.
- 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 \$291,193 and a reduction of accounts payable of \$8,807. 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 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 period end, the Company acquired Solargram Farms Corporation (“Solargram”), a Canadian controlled private corporation, having corporate offices in Moncton, NB. With this acquisition, Captiva Verde has taken 100% ownership interest into a world class team of experienced operators and growers, dedicated to full spectrum, hand crafted, outdoor organic Hemp Seed Oil and oil extracts, providing high valued finished health and wellness products using natural farm inputs. The Solargram team has over 40 years of combined industry specific, non-stop operating, growing and processing experience in a specific regional market that, taken together, has over 125 years of collective experience.

The acquisition includes land assets, growing assets, proprietary IP and technological expertise necessary to successfully run and operate multiple planned outdoor grown, low cost per gram, organic Hemp Seed Oil site operations together with its planned related full spectrum Hemp Seed Oil oil concentrate processing facilities. In fact, Solargram has a five-year planned outdoor farm grown Hemp Seed Oil production capacity in excess of 185 farm acres representing over 76,000 kg’s of dried Hemp Seed Oil targeted for organic Hemp Seed Oil oil concentrate for export as well as developed in house, best in class unique Hemp Seed Oil products.

In concert with this acquisition, The Company is working together with its advisory board chairman Drake Sutton-Shearer, CEO of PRØHBTD, a leading consumer goods and content company, to source and curate high value branded products for Captiva Verde, enabling the company to have a unique position in the Canadian and export market.

The Company believes the entire Hemp Seed Oil market is at the beginning of its second phase, where hard learned financial lessons gained from the first 130+ licensed producers before it, allow Captiva Verde to emerge as a successful graduate from the first five years of public Hemp Seed Oil operations. The second phase will be a time of consolidations, disintegrations and the emergence of new public companies like Captiva Verde, strengthened by the lessons of this valuable history. Hemp Seed Oil is an evolutionary business within a revolutionary change of politics. The torch is being handed back to veteran growers, scientist and proven business leaders who understand the original intent of legalization, which is to have the lowest cost, first in class products available to everyone.

The operation will commence with 3.2 million square feet of outdoor growing space and the acquisition of all the components to start the operations will now begin at a fast pace.

## **LAND ACQUISITION AGREEMENT**

On October 9, 2018, the Company the Company closed the 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 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.

	April 30, 2019	October 31, 2018
Opening	\$ 1,374,605	\$ -
Shares issued (10,687,500 common shares at \$0.10 per share)	-	1,068,750
Cash	-	112,500
Capitalized costs	560,719	193,355
	<b>1,935,324</b>	<b>1,374,605</b>

## DISCUSSION OF OPERATIONS

	Three Months Ended April 30,			Six Months Ended April 30,	
	Note	2019	2018	2019	2018
<b>Expenses</b>					
Administrative fees		\$ (35,886)	\$ (261)	\$ (94,999)	\$ (3,977)
Consulting fees		(19,192)	(185)	(148,942)	(22,101)
Filing fees		(14,827)	-	(21,686)	(2,239)
Legal and professional fee		(17,742)	(7,757)	(19,339)	(29,113)
Foreign exchange loss		(11,103)	(608)	(29,793)	(608)
Stock-based compensation		(304,604)	-	(649,456)	-
<b>Loss and comprehensive loss for the period</b>		<b>\$ (403,354)</b>	<b>\$ (8,811)</b>	<b>(964,215)</b>	<b>\$ (58,038)</b>
<b>Loss per share</b>					
Basic and diluted		\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
<b>Weighted average shares outstanding</b>					
Basic and diluted		89,964,092	69,660,591	88,643,252	69,660,591

### Six months ended April 30, 2019 compared to six months ended in April 30, 2018

Revenue is \$nil for the period ended April 30, 2019, 2018 as the Company has not developed any projects to the revenue generation stage. The Company incurred a net loss of 964,215, for the period ended April 30, 2019 compared to \$58,038 in the period ended April 30, 2018. The increase in net loss is the result of increase in consulting expenses incurred and increased corporate activity due to the Company beginning operations in addition to non-cash expenses like stock-based compensation \$649,456 incurred in the current period not incurred in prior period. The basic and diluted loss per share of \$(0.01) is higher than the comparative period due to the increased loss.

### Three months ended April 30, 2019 compared to three months ended in April 30, 2018

Revenue is \$nil for the three months ended April 30, 2019 and 2018 as the Company has not developed any projects to the revenue generation stage. The Company incurred a net loss of \$403,354 for the three months ended April 30, 2019 compared to \$8,811 in the three months ended April 30, 2018. The increase in net loss is the result of increase in consulting expenses incurred and increased corporate activity due to the Company beginning operations in addition to non-cash expenses like stock-based compensation \$304,604 incurred in the current period not incurred in prior period. The Company had a basic and diluted loss per share of \$(0.01) compared to (\$0.00 loss per share) for the three months ended April 30, 2018 due to the increased loss.

	April 30, 2019	October 31, 2018
Cash and cash equivalents	\$ 478,753	\$ 268,212
Total assets	2,471,082	1,652,426
Non-current financial liabilities	-	-
Cash dividends declared	\$ 0.00	\$ 0.00

Cash and cash equivalents are \$478,753 as at April 30, 2019 which is higher than the comparative period and is the result of the Company closing private placements for gross proceeds of \$580,000. Total assets are \$2,471,082 as at April 30, 2019 compared to \$1,652,426 as at October 31, 2018. The increase is a result of the Company increase in investment and advances in land in the current period. Non-current financial liabilities are \$nil as at April 30, 2019, and the comparative period of October 31, 2018 as the Company has not incurred any non-current financial liabilities at this stage. There were no cash dividends declared as at April 30, 2019, October 31, 2018.

### *Summary of Quarterly Results*

<i>(tabled amounts are expressed in thousands of CAD dollars)</i>	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Expenses	\$ (403,354)	\$ (560,860)	\$ (121,228)	\$ (17,587)	\$ (8,811)	\$ (34,977)	\$ (67,902)	\$ (28,123)
Net loss	(403,354)	(560,860)	(121,228)	(17,587)	(8,811)	(34,977)	(67,902)	(28,123)
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive gain (loss)	(403,354)	(560,000)	(121,228)	\$ (17,587)	\$ (8,811)	\$ (34,977)	\$ (67,902)	\$ (28,123)
Basic/Diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	2,471,082	\$1,694,817	\$ 1,652,426	\$ 269,981	\$ 251,902	\$ 253,093	\$ 214,430	\$ 205,417

### *Three months ended April 30, 2019 compared to all historic quarters*

The Company incurred a net loss and total comprehensive loss of \$403,354 in the current quarter which is higher than the all historic quarters except Q1 2019. The increase is related to consulting and professional fees incurred on the various transactions as the Company implements its business plan and the Company starting operations. In addition, share-based compensation expense \$649,456, which was not incurred in the comparative period 2018, 2017 (the same with Q1 2019).

### *Change in total assets*

Total assets are \$2,471,082 in the current period which is higher than all historic quarters. The increase is due to the Company closing the land acquisition and continuing to capitalize costs as it develops the project forward.

## LIQUIDITY AND CAPITAL RESOURCES

<i>(tabled amounts are expressed in CAD dollars)</i>	<b>Six months ended April 30, 2019</b>	<b>Six months ended April 30, 2018</b>
Cash inflow (outflows) from operating activities	\$ 52,929	\$ 68,190
Cash inflow (outflows) from financing activities	589,187	(101,969)
Cash inflow (outflows) from investing activities	(431,575)	-
Net cash flows	210,541	(33,779)
Cash balance	\$ 478,753	\$ 122,205

As at April 30, 2019, the Company's net working capital deficit was \$349,009 (October 31, 2018 –\$68,218).

Cash inflows from operating activities of \$52,929 were lower than the inflows in the comparative period in 2018 due to change in working capital items net of corporate expenses.

Cash inflows from financing activities of \$589,187 were higher than the outflows in the comparative period in 2018 due to the Company completing the private placements in current period.

Cash outflows from investing activities of \$431,575, comparative to \$nil in 2018 due to the Company incurring expenditures on the recently acquired land development.

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 April 30, 2019. 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 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.

### 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 April 30, 2019 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 April 30, 2019, the Company had 90,937,966 common shares, 5,657,485 share purchase warrants and 4,850,000 share

purchase options outstanding. As at the date of this report, the Company had 95,062,966 common shares, 7,719,985 share purchase warrants and 4,850,000 share purchase options outstanding.

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.

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.

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.

Subsequent to period end on May 8, 2019, the Company closed its non-brokered private placement consisting of 4,125,000 units at a price of \$0.20 per unit for gross proceeds of \$825,000. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant of the Company. Each whole warrant will be exercisable into a common share of the Company at an exercise price of \$0.35 with a one-year expiry..

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 March 15, 2019 the Company issued share-purchase options totaling 1,100,000 options at a price of \$0.30 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.

On March 14, 2019, 189,875 share-purchase warrants were exercised for gross proceeds of \$18,987.

Table below provides a summary of the share purchase warrants outstanding as at April 30, 2019:

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
160,125	\$0.10	October 10, 2021
1,000,000	\$0.10	November 29, 2019
1,500,000	\$0.10	February 26, 2020
Total:	5,657,485	

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
160,125	\$0.10	October 10, 2021
1,000,000	\$0.25	November 13, 2019
1,500,000	\$0.25	February 25, 2020
2,062,500	\$0.35	May 8, 2020
Total: 7,719,985		

Table below provides a summary of the share purchase options outstanding as at April 30, 2019 and as at the date of this report:

Number of options	Exercise price per warrant	Expiry date
3,750,000	\$0.11	November 29, 2023
1,100,000	\$0.30	March 15, 2024
Total: 4,850,000		

## REGULATORY DISCLOSURES

### *Off-Balance Sheet Arrangements*

As at April 30, 2019, 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 April 30, 2019 and 2018 are as follows:

	April 30, 2019	April 30, 2018
Consulting fees	\$ 39,048	\$ 22,101

These expenses were measured at the exchange amounts agreed upon by the parties. As at April 30, 2019 the Company had amounts payable of \$nil (October 31, 2018 - \$73,798) to related parties. These amounts are unsecured and non-interest bearing.

During the period ended April 30, 2019 the Company accrued an amount of \$24,000 payable to a director and shareholder of the Company related to office space and administrative expenses (October 31, 2018 - \$40,000). During the period ended April 30, 2019, the Company paid a total of \$70,001 (2018 - \$nil) to a director and shareholder of the Company related to office space and administrative expenses.

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**

	April 30, 2019		October 31, 2018	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
<b>Financial assets</b>				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash	478,753	478,753	268,212	268,212
<i>Loans and receivables</i>				
Other receivables and advances	57,005	57,005	9,609	9,609
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	104,767	104,767	346,039	346,039

### **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 Company adopted IFRS 9 retrospectively without restatement of comparative amounts. No 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 not adopted yet*

#### *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 amended standard did not have an impact on the financial statements.

The Company is currently evaluating the potential impact of IFRS 16 on its consolidated financial statements.

#### ***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.