

CONSOLIDATED FIRSTFUND CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS For the Years Ended December 31, 2018 and 2017

The following information should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2018 and 2017. These documents and additional information relating to the Company are on SEDAR at www.sedar.com.

The following discussion and analysis of the financial conditions and financial performance of the Company contain forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from any future results expressed or implied by such statements. Forward-looking statements include, but are not limited to, those with respect to: anticipated future operating results and anticipated timing and progress of property development, marketing and property management. These statements are predictions only and actual results may differ materially. Factors that could cause such actual results to differ materially from any future results expressed or implied by such forward-looking statements include, but are not limited to, our ability to secure financing for projects and obtain development permits, regulatory risk, interest rate risk and currency risk.

Business Overview

Consolidated Firstfund Capital Corp. (FFP – TSX-V) is a venture capital and property development and management company doing business primarily in Canada and the West Coast of the United States. The effective date of this document is April 30, 2019.

Investments

Vitality Products Inc.

Vitality Products Inc. (VPI – TSX-V) is a manufacturer, marketer and distributor of natural health products, including vitamins, minerals and nutritional supplements. Additional information on Vitality is available at www.vitality.ca.

Vitality is related to the Company through common directors, common management and a major shareholder. The Company owns 7,008,671 (2017 - 7,008,671) or 22.5% (2017 - 27.1%) of the issued voting common shares of Vitality as at December 31, 2018. The Company also owns 100% (2017 - 100%) of the issued non-voting, redeemable and retractable 26,920 Class “A” Preference Shares, Series 3 of Vitality as at December 31, 2018. The Vitality Class “A” Preference Shares, Series 3 have a redemption value of \$10 per share plus any unpaid cumulative dividends.

An unrealized gain of \$1,051,301 (2017 - \$175,216) on the revaluation of the investment in Vitality common shares measured at fair value through profit or loss has been recorded in income for the period ended December 31, 2018.

An unrealized loss of \$101,014 (2017 - gain of \$3,009 recorded in other comprehensive income) on the revaluation of the investment in Vitality preference shares measured at fair value through profit or loss has been recorded in income for the period ended December 31, 2018.

Contracts

The Company earns fee income for real estate development and property management activities performed on properties owned by other companies and limited partnerships managed by companies with a common director and major shareholder. The Company earned fee income of \$311,060 (2017 - \$311,520) for managing these properties during the year ended December 31, 2018.

Property Management Contracts

The Company manages approximately 18,600 sq.ft. of retail space at Ocean Breezes in Birch Bay, Washington. The Ocean Breezes retail space is 52% occupied. The Company also manages approximately 19,400 sq.ft. of retail space at the Sandcastle Resort in Birch Bay, Washington. The Sandcastle Resort retail space is 67% occupied.

Property Development Contracts

Condominium Developments

The Company manages approximately 10 acres of property zoned resort commercial in Birch Bay, Washington, including the approximately 2-acre Beachcomber RV Park. An additional approximately 220 units may be developed with existing zoning on the site. One proposed 68-unit condominium development project totaling 100,000 sq.ft. had received conditional use and development permits. Wetlands, archaeological and ecological permits were received and site fill is complete. An additional 7,600 sq.ft. of retail would be constructed with this building. Construction is subject to financing and market conditions.

I-5 Commercial Development

The Company continues to manage 61 acres of property located along the I-5 Freeway in Whatcom County, Washington. In addition, the Company manages a 6.7-acre RV park with approximately 4,000 sq.ft. of commercial space. This property located near the I-5 Freeway in Whatcom County is now zoned rural general commercial. The Company also oversees another 7.9 acres of property located near the I-5 Freeway in Whatcom County zoned rural general commercial which is being considered for development as office and storage.

SR 548 – Blaine Road Rezone and Commercial Development

A 160-acre subdivision and commercial development has been assembled to building permit stage. The property is subdivided into 11 parcels and ready for phased development. Construction of an access road off of State Highway 548 is complete. One parcel on State Highway 548 had been permitted for a 10,000 sq.ft. strip mall with gas station and 10,000 sq.ft. restaurant / accommodation, farmers market and nursery. The 160 acres is in the Birch Bay Comprehensive Plan as a combination of general commercial, multi-family and residential development.

The developments discussed above can be viewed on www.goldstarresorts.com or www.firstfund.ca.

Selected Annual Information

The following table sets out selected audited consolidated financial information of the Company and is derived from the audited consolidated financial statements prepared by management. The statements are prepared in conformity with International Financial Reporting Standards (“IFRS”) and are expressed in Canadian dollars.

Fiscal Year	Revenues	Net Income	Net Income Per Share (Basic and Diluted)	Total Assets	Total Long-term Financial Liabilities
2018	\$1,270,308	\$890,608	\$0.14	\$1,946,119	\$54,036
2017	\$495,183	\$207,936	\$0.03	\$981,062	\$Nil
Restated 2016	\$502,172	\$204,801	\$0.03	\$994,939	\$Nil

There are several factors that have caused year-to-year variations in the Company’s financial condition and results in operations. The Company earns income or recognizes losses on its investments from time-to-time. The Company recorded an unrealized net gain of \$950,287 as at December 31, 2018 (2017 - \$175,216) on the revaluation of the investments in Vitality measured at fair value through profit or loss.

Net income has increased during the past three fiscal years as the Company’s fee income was \$317,060 in 2018 (2017 - \$317,520 and 2016 - \$324,146).

Total assets have increased during the past three fiscal years due primarily to changes in cash, receivables and investments. The Company had cash of \$109,972 as at December 31, 2018 (2017 - \$98,142 and 2016 - \$42,658). The Company had total receivables of \$103,373 as at December 31, 2018 (2017 - \$94,920 and 2016 - \$334,919). The Company had investments of \$1,720,081 as at December 31, 2018 (2017 - \$769,794 and 2016 - \$591,571).

The Company may receive additional compensation, above and beyond its monthly administration fees, when specific milestones are successfully achieved under a property development contract or the Company is compensated upon the disposition of a property under management.

The rise and fall in the value of the Canadian Dollar versus the US Dollar has impacted the Company’s financial statements as large portions of the accounts receivable and fee income are in US Dollars.

Summary of Quarterly Results

The following table sets out selected unaudited consolidated financial information of the Company and is derived from unaudited consolidated interim financial statements prepared by management. The condensed consolidated interim financial statements are prepared in conformity with IFRS and are expressed in Canadian dollars.

Fiscal Period	Revenues	Net Income (Loss)	Net Income (Loss) Per Share (Basic and Diluted)
2018 Q4	\$506,037	\$384,628	\$0.06
2018 Q3	\$(585,472)	\$(652,567)	\$(0.11)
2018 Q2	\$815,907	\$693,461	\$0.11
2018 Q1	\$533,836	\$465,086	\$0.08
2017 Q4	\$323,781	\$250,460	\$0.04
2017 Q3	\$(62,883)	\$(129,518)	\$(0.02)
2017 Q2	\$82,854	\$706	\$0.00
2017 Q1	\$151,431	\$86,288	\$0.01

Summary of Quarterly Results (continued)

The Company's results in the fourth quarter of 2018 were significantly impacted by the Company recording an unrealized net gain of \$424,637 (2017 - \$245,302) on the revaluation of the investments in Vitality Products Inc. measured at fair value through profit or loss.

The Company's results in the third quarter of 2018 were significantly impacted by the Company recording an unrealized loss of \$665,824 (2017 - \$140,173) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

The Company's results in the second quarter of 2018 were significantly impacted by the Company recording an unrealized gain of \$735,910 (2017 - \$Nil) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss. Further, the Company recognized a share-based compensation expense of \$41,200 (2017 - \$Nil).

The Company's results in the first quarter of 2018 were significantly impacted by the Company recording an unrealized gain of \$455,564 (2017 - \$70,087) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

The Company's results in the fourth quarter of 2017 were impacted by the Company recording an unrealized gain of \$245,302 (2016 - \$70,087) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

The Company's results in the third quarter of 2017 were impacted by the Company recording a foreign exchange loss of \$4,402 (2016 - foreign exchange gain of \$1,003) primarily on the Company's accounts receivable denominated in US dollars due to a strengthening of the Canadian dollar against the US currency. Further, the Company recorded an unrealized loss of \$140,173 (2016 - \$Nil) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

The Company's results in the second quarter of 2017 were impacted by the Company recording a foreign exchange loss of \$2,937 (2016 - foreign exchange gain of \$101) primarily on the Company's accounts receivable denominated in US dollars due to a strengthening of the Canadian dollar against the US currency. Further, the Company recorded an unrealized gain of \$Nil (2016 - \$70,087) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

The Company's results in the first quarter of 2017 were impacted by the Company recording a foreign exchange loss of \$1,116 (2016 - \$9,494) primarily on the Company's accounts receivable denominated in US dollars due to a strengthening of the Canadian dollar against the US currency. Further, the Company recorded an unrealized gain of \$70,087 (2016 - \$35,043) on the revaluation of the investment in Vitality Products Inc. common shares measured at fair value through profit or loss.

Results of Operations

The financial results of the Company for the three months ended December 31, 2018 show a net income of \$384,628 or \$0.06 per share (2017 - \$250,460 or \$0.04 per share) on revenues of \$506,037 (2017 - \$323,781). The Company recorded an unrealized net gain of \$424,637 (2017 - \$245,302) on the revaluation of the investment in Vitality measured at fair value through profit or loss. The Company's fee income increased to \$80,784 for the three months ended December 31, 2018 (2017 - \$77,790).

The Company's monthly administration fee billed to Gold Star Resorts Inc. is US\$20,000 per month (2017 - US\$20,000 per month). This monthly fee income represents property development and property management responsibilities undertaken by the Company in Whatcom County, Washington on behalf of Gold Star Resorts Inc.

Results of Operations (continued)

The financial results of the Company for the year ended December 31, 2018 show a net income of \$890,608 or \$0.14 per share (2017 - \$207,936 or \$0.03 per share). The Company recorded an unrealized net gain of \$950,287 (2017 - \$175,216) on the revaluation of the investments in Vitality. The Company's fee income decreased to \$317,060 for the year ended December 31, 2018 (2017 - \$317,520). The overall decrease is primarily due to a decrease in the Canadian Dollar per US Dollar exchange rate. The Company earned fee income of US\$240,000 from Gold Star Resorts Inc. during each of the past two years. However, due to changes in the Canadian Dollar per U.S. Dollar exchange rate, the Company received \$311,060 from Gold Star Resorts Inc. in 2018 compared with \$311,520 in 2017.

Transactions with Related Parties

The Company is economically dependent on one customer which is related by a common director and major shareholder. The Company derives revenue primarily from financial consulting related to real estate development and venture capital activities. Revenue in the United States for the year ended December 31, 2018 includes \$311,060 attributable to one customer (2017 - \$311,520).

For additional information on transactions with related parties refer to Note 14 of the consolidated financial statements and related notes for the years ended December 31, 2018 and 2017.

Liquidity and Capital Resources

The Company had a working capital deficit of \$227,242 as at December 31, 2018 (2017 - \$284,870). The Company had cash of \$109,972 as at December 31, 2018. During the year ended December 31, 2018, the Company's cash position increased \$11,830.

During the year ended December 31, 2018, the Company made repayments totaling \$25,000 to a significant shareholder of the Company. The Company made repayments totaling \$230,000 in 2017, \$120,000 in 2016 and \$80,000 in 2015 to this individual. The balance owing to this related party as at December 31, 2018 is \$290,000. During 2010 and 2011 the Company received a total of \$745,000 from this individual to assist in managing the working capital as a result of operating losses. The remaining balance is unsecured, non-interest bearing and has no specific terms of repayment.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support from its principal shareholder and lenders, maintaining profitable operations and obtaining additional equity. These circumstances indicate the existence of material uncertainties that cast significant doubt as to the company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

In the opinion of management, the future cash flows from operations and the continued financial support from related parties, is sufficient to support the Company's ability to operate on an ongoing basis.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements during the most recently completed financial year.

Changes in Accounting Policies including Initial Adoption

The consolidated financial statements for the years ended December 31, 2018 and 2017 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 was adopted retrospectively without restatement, as allowed under the standard’s transitional provisions. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments. As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets effective January 1, 2018 as described in Note 3(b) and Note 3(c) to the consolidated financial statements for the years ended December 31, 2018 and 2017. The IAS 39 accounting policies that were applied prior to January 1, 2018 are included in Note 3(d) to the consolidated financial statements for the years ended December 31, 2018 and 2017. For the Company the adoption of IFRS 9 caused the reclassification of certain available for sale investments under IAS 39 to fair value through profit or loss under IFRS 9, and the adoption of the expected credit loss model for impairment of financial assets.

At the date of authorization of the consolidated financial statements, the IASB and IFRIC have issued a number of new and revised standards and interpretations as set out in Note 4 to the consolidated financial statements for the years ended December 31, 2018 and 2017, which could be applicable to the Company and are not yet effective for the relevant reporting periods. The Company has not early adopted these standards, amendments and interpretations; however, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. These standards and interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning on or after the effective date of each pronouncement. The Company continues to monitor the development of IFRS with respect to any potential impact to the consolidated financial statements of the Company.

Financial Instruments and Other Instruments

Financial instruments include cash, accounts receivable, long-term receivable, investments, accounts payable and redeemable preference shares. Financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification. Refer to Note 3(b), Note 3(c) and Note 16(e) of the consolidated financial statements and related notes for the years ended December 31, 2018 and 2017 for financial instruments classifications and fair value measurements.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currencies. The Company is exposed to currency risk primarily arising from sales and accounts receivable balances denominated in US dollars. During the year ended December 31, 2018, 98% (\$311,060) of the Company’s fee income was denominated in US dollars (2017 - 98% (\$311,520)).

The Company is exposed to equity price risks arising from its investment in the Vitality Products Inc. common shares that are measured at fair value through profit or loss. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company uses its operating cash flows, cash balances, and support from its principal shareholder to maintain its liquidity.

Financial Instruments and Other Instruments (continued)

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The Company mitigates the risk associated with cash by dealing only with large financial institutions with good credit ratings. The Company applies the simplified approach to accounts receivable and recognizes a loss allowance provision based on lifetime expected credit losses (ECLs). The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

The fair values of cash, accounts receivable and accounts payable as at December 31, 2018 and December 31, 2017 approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of the long-term receivable as at December 31, 2018 and December 31, 2017 approximates its carrying value as this balance is due on demand.

The fair value of the Company's investment in Vitality Products Inc. common shares is determined based on the closing share price of Vitality Products Inc. common shares on the date of the consolidated statement of financial position. The fair value of the Company's investment in Vitality Products Inc. Series 3 preference shares is determined based on the dividend discount approach which uses inputs from historical financial information and assumptions on discount rates and payment of dividends. The fair value of the Company's redeemable preference shares as at December 31, 2018 and December 31, 2017 approximates its carrying value due to the redemption feature of this obligation.

Disclosures Controls and Procedures and Internal Control Over Financial Reporting

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the financial statements for December 31, 2018 and 2017 and all related public filings.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing certificates are not making any representations relating to the establishment and maintenance of

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

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Outstanding Share Data

At April 30, 2019, the Company has 6,171,703 issued and outstanding common shares.

At April 30, 2019, the Company has 4,000 issued and outstanding Series B preference shares. The Series B preference shares have a 6% per annum cumulative dividend payable annually commencing December 31, 1993, are redeemable by the Company, retractable by the holder after five years from issue and convertible by the holder into common shares of the Company at \$5 per common share. The redemption price is \$10 per share plus any cumulative dividends. The Company may force conversion into common shares at the lower of \$5 per share and the current market value price per common share. At April 30, 2019, the Company has aggregate cumulative preference share dividend arrears of \$62,400 which have been accrued in the financial statements.

At April 30, 2019, the Company has 200,000 stock options outstanding. The stock options were awarded on June 5, 2018 to certain directors, officers, employees and consultants of the Company. The stock options entitle option holders to purchase up to 200,000 common shares of the Company at a price of \$0.30 per share and expire on June 5, 2023.

Additional Disclosure of Financial Information

The following is supplementary financial information not included in the audited consolidated financial statements for the years ended December 31, 2018 and 2017:

<u>Office, administration and rent</u>	<u>2018</u>	<u>2017</u>
Bank charges	\$ 281	\$ 634
Fees and licenses	9,318	9,515
Insurance	780	752
Office expenses	9,194	8,381
Postage and courier	210	66
Printing	484	485
Rent	63,071	57,689
Stationary and supplies	1,841	2,115
Telephone	6,454	5,532
Transfer agent	<u>8,705</u>	<u>6,487</u>
	<u>\$ 100,338</u>	<u>\$ 91,656</u>

Directors and Officers

List of directors and officers of the Company:

Stuart E. Pennington, Blaine, Washington
Chairman of the Board and Director

W. Douglas Grant, Vancouver, British Columbia
President, Chief Executive Officer and Director

Cheryl A. Grant, Vancouver, British Columbia
Vice President, Chief Financial Officer, Secretary and Director

Bruce J. McDonald, Surrey, British Columbia
Director

At the annual general meeting held on June 5, 2018, shareholders re-elected Cheryl A. Grant, W. Douglas Grant, Bruce J. McDonald and Stuart E. Pennington as Directors of the Company for the ensuing year. At the Company's Board of Directors' Meeting following the annual general meeting, the Board appointed Stuart E. Pennington as Chairman of the Board for the ensuing year, replacing Bruce J. McDonald. Mr. McDonald will remain Chairman of the Audit Committee.

Cheryl A. Grant was elected to the Board of Directors by the shareholders of the Company at the annual general meeting held on June 6, 2017. Cheryl A. Grant was appointed Vice President, Chief Financial Officer and Secretary of the Company by the Board of Directors effective June 6, 2017. Ms. Grant is currently President, Chief Executive Officer and a Director of Vitality Products Inc. She joined the Vitality team in 2012 and was instrumental in Vitality's commencement of distribution of its new line of natural health products in September 2013 by introduction of four products in key growth categories to the market. She has over 15 years of experience in marketing and communications. Prior to joining Vitality, Ms. Grant worked as the Marketing Communications Manager, Customer Experience at TELUS. Her other experience includes positions at Best Buy Canada, first as a Communications Specialist, then as a Community Relations Manager, and at Canadian Diabetes Association as the Lead, Team Diabetes. Ms. Grant is the sister of W. Douglas Grant and she is an executor of the Estate of William Neil Grant, a significant shareholder of the Company. Ms. Grant graduated from the University of British Columbia with a Bachelor of Arts degree (double major in English and Geography).

James W. F. Tutton resigned from the Board of Directors for personal reasons effective June 6, 2017. Mr. Tutton decided not to seek re-election at the 2017 annual general meeting and was a Director of the Company since 1993. Mr. Tutton was also Vice President, Chief Financial Officer and Secretary of the Company. The Board wishes to express its appreciation for Mr. Tutton's years of service to the Company.

Investor Relations

We appreciate your continued support. Investor relations activities are limited to the Company's quarterly reports and news releases.

On behalf of the Board of
Consolidated Firstfund Capital Corp.

"W. Douglas Grant" (signed)

W. Douglas Grant
President & CEO
April 30, 2019