

CONSOLIDATED FIRSTFUND CAPITAL CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS For the Years Ended December 31, 2019 and 2018

The following information should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2019 and 2018. 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, anticipated timing of investment acquisitions or dispositions, 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, market and general economic conditions, equity price risks, 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 29, 2020.

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 under the significant influence of the Company. The Company owns 7,008,671 (2018 - 7,008,671) or 22.0% (2018 - 22.5%) of the issued voting common shares of Vitality as at December 31, 2019. An unrealized loss of \$350,434 (2018 - unrealized gain of \$1,051,301) 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 year ended December 31, 2019.

The Company also owns 100% (2018 - 100%) of the issued non-voting, redeemable and retractable Class “A” Preference Shares, Series 3 of Vitality as at December 31, 2019. The 26,920 Vitality Class “A” Preference Shares, Series 3 have a redemption value of \$10 per share plus any unpaid cumulative dividends. Total unpaid dividends accrued on these preference shares are \$289,364 (2018 - \$273,212) as at December 31, 2019. An unrealized gain of \$Nil (2018 - unrealized loss of \$101,014) 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 year ended December 31, 2019.

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 under common control. The Company earned fee income of \$318,438 (2018 - \$311,060) for managing these properties during the year ended December 31, 2019.

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% (2018 - 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% (2018 - 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	Fee and Other Revenues	Net (Loss) Gain on Investments	Net (Loss) Income	Net (Loss) Income Per Share (Basic and Diluted)	Total Assets	Total Long-term Financial Liabilities
2019	\$327,423	\$(350,434)	\$(263,595)	\$(0.04)	\$1,479,047	\$17,721
2018	\$320,021	\$950,287	\$890,608	\$0.14	\$1,946,119	\$54,036
2017	\$319,967	\$175,216	\$207,936	\$0.03	\$981,062	\$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 loss of \$350,434 as at December 31, 2019 (2018 - unrealized net gain of \$950,287) on the revaluation of the investments in Vitality measured at fair value through profit or loss. The Company’s fee income has increased slightly during the past three fiscal years. Fee income was \$324,438 in 2019 (2018 - \$317,060 and 2017 - \$317,520).

Total assets have both significantly decreased and significantly increased overall on a year-to year basis during the past three fiscal years due primarily to the volatility in the valuation of the Company’s investments. The Company had investments of \$1,369,647 as at December 31, 2019 (2018 - \$1,720,081 and 2017 - \$769,794). Cash and receivables had a less significant impact on changes to total assets. The Company had cash of \$78,563 as at December 31, 2019 (2018 - \$109,972 and 2017 - \$98,142). The Company had total receivables of \$21,009 as at December 31, 2019 (2018 - \$103,373 and 2017 - \$94,920).

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 significant 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	Fee and Other Revenues	Net Gain (Loss) on Investments	Net Income (Loss)	Net Income (Loss) Per Share (Basic and Diluted)
2019 Q4	\$81,422	\$700,867	\$755,256	\$0.12
2019 Q3	\$81,515	\$(280,347)	\$(263,104)	\$(0.04)
2019 Q2	\$82,683	\$(175,217)	\$(171,999)	\$(0.03)
2019 Q1	\$81,803	\$(595,737)	\$(583,748)	\$(0.09)
2018 Q4	\$81,400	\$424,637	\$384,628	\$0.06
2018 Q3	\$80,352	\$(665,824)	\$(652,567)	\$(0.11)
2018 Q2	\$79,997	\$735,910	\$693,461	\$0.11
2018 Q1	\$78,272	\$455,564	\$465,086	\$0.08

Summary of Quarterly Results (continued)

The Company's results in the fourth quarter of 2019 were significantly impacted by the Company recording an unrealized net gain of \$700,867 (2018 - \$424,637) 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 2019 were significantly impacted by the Company recording an unrealized net loss of \$280,347 (2018 - \$665,824) on the revaluation of the investments in Vitality Products Inc. measured at fair value through profit or loss.

The Company's results in the second quarter of 2019 were significantly impacted by the Company recording an unrealized net loss of \$175,217 (2018 - unrealized net gain of \$735,910) on the revaluation of the investments in Vitality Products Inc. measured at fair value through profit or loss.

The Company's results in the first quarter of 2019 were significantly impacted by the Company recording an unrealized net loss of \$595,737 (2018 - unrealized net gain of \$455,564) on the revaluation of the investments in Vitality Products Inc. measured at fair value through profit or loss.

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 net loss of \$665,824 (2017 - \$140,173) on the revaluation of the investments in Vitality Products Inc. 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 net gain of \$735,910 (2017 - \$Nil) on the revaluation of the investments in Vitality Products Inc. 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 net gain of \$455,564 (2017 - \$70,087) on the revaluation of the investments in Vitality Products Inc. measured at fair value through profit or loss.

Results of Operations

The financial results of the Company for the three months ended December 31, 2019 show a net income of \$755,256 or \$0.12 per share (2018 - \$384,628 or \$0.06 per share) on revenues of \$782,289 (2018 - \$506,037). The Company recorded an unrealized net gain of \$700,867 (2018 - \$424,637) on the revaluation of the investment in Vitality measured at fair value through profit or loss. The Company's fee income decreased to \$80,702 for the three months ended December 31, 2019 (2018 - \$80,784).

The Company's monthly administration fee billed to Gold Star Resorts Inc. is US\$20,000 per month (2018 - 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, 2019 show a net loss of \$263,595 or \$0.04 per share (2018 - net income of \$890,608 or \$0.14 per share). The Company recorded an unrealized net loss of \$350,434 (2018 - net gain of \$950,287) on the revaluation of the investments in Vitality. The Company's fee income increased to \$324,438 for the year ended December 31, 2019 (2018 - \$317,060). The overall increase is primarily due to an increase 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 \$318,438 from Gold Star Resorts Inc. in 2019 compared with \$311,060 in 2018.

Transactions with Related Parties

The Company is economically dependent on one customer which is a company under common control. 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, 2019 includes \$318,438 attributable to one customer (2018 - \$311,060).

For additional information on transactions with related parties refer to Note 12 of the consolidated financial statements and related notes for the years ended December 31, 2019 and 2018.

Liquidity and Capital Resources

The Company had a working capital deficit of \$173,832 as at December 31, 2019 (2018 - \$227,242). The Company had cash of \$78,563 as at December 31, 2019. During the year ended December 31, 2019, the Company's cash position decreased \$31,409.

During the year ended December 31, 2019, the Company made repayments totaling \$170,000 to a significant shareholder of the Company. The Company made repayments totaling \$25,000 in 2018, \$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, 2019 is \$120,000. 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. The Company is critically dependent on related parties for all of its revenues, its management, its premises, and much of its expenses that are paid to third parties. 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, 2019 and 2018 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, 2019, the Company adopted IFRS 16, “Leases” and IFRIC 23, “Uncertainty over income tax treatments”. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity’s lease obligation. IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. Management has assessed these two new standards as not having any impact on the Company’s financial statements.

At the date of authorization of the consolidated financial statements, the IASB and IFRIC have not issued any new and revised standards and interpretations which could be applicable to the Company and are not yet effective for the relevant reporting periods. The Company does not early adopt any new standards, amendments and interpretations. The Company assesses what impact the application of any new standards or amendments will have on the consolidated financial statements of the Company. Any new 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) and Note 14(e) of the consolidated financial statements and related notes for the years ended December 31, 2019 and 2018 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 currency exchange rates. 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, 2019, 98% (\$318,438) of the Company’s fee income was denominated in US dollars (2018 - 98% (\$311,060)).

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.

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The financial instruments that subject the Company to credit risk consist primarily of cash, accounts receivable, long-term receivable and investment in preferred shares. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements. The Company mitigates the risk associated with cash by dealing only with large financial institutions with good credit ratings.

Financial Instruments and Other Instruments (continued)

The fair values of cash, accounts receivable and accounts payable as at December 31, 2019 and December 31, 2018 approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of the long-term receivable from related party as at December 31, 2019 and December 31, 2018 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, 2019 and December 31, 2018 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, 2019 and 2018 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 29, 2020, the Company has 6,171,703 issued and outstanding common shares.

At April 29, 2020, 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 29, 2020, the Company has aggregate cumulative preference share dividend arrears of \$65,600 which have been accrued in the financial statements.

At April 29, 2020, 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, 2019 and 2018:

<u>Office, administration and rent</u>	<u>2019</u>	<u>2018</u>
Bank charges	\$ 641	\$ 281
Fees and licenses	9,592	9,318
Insurance	838	780
Office expenses	4,918	9,194
Postage and courier	77	210
Printing	484	484
Rent	63,936	63,071
Stationary and supplies	1,303	1,841
Telephone	5,731	6,454
Transfer agent	<u>7,921</u>	<u>8,705</u>
	<u>\$ 95,441</u>	<u>\$ 100,338</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 11, 2019, 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.

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 29, 2020