

## **FORM 51-102F1**

### **Management's Discussion and Analysis**

The following discussion and analysis as of January 28, 2019 should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2018 and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated.

The company was incorporated under the Alberta Business Corporations Act on October 12, 1999 and is in the business of commercial and residential construction and millwork.

### **International Financial Reporting Standards ("IFRS")**

The Company's external auditors, Collins Barrow Edmonton LLP, have performed an audit of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

Except as otherwise noted, the annual and quarterly financial information contained in this MD&A and in the financial statements have been prepared in accordance with IFRS.

### **Overall Performance**

The company was incorporated under the Alberta Business Corporations Act on October 12, 1999 and is in the business of commercial and residential construction and millwork. The Company continues to generate income in the commercial and residential construction business. The Company is still actively seeking more opportunity to provide construction services in greater Vancouver area as well as business across Canada.

## Selected Annual Information (in accordance with IFRS)

	2018	2017	2016
Revenue	\$3,685,278	\$5,103,132	\$4,064,724
Expenses	\$3,333,108	\$4,900,860	4,240,915
Other Income (Loss)	\$40,531	---	\$(6,377)
Income taxes	\$21,345	---	---
Net Income (Loss)	\$290,294	\$202,272	\$(182,568)
Income (Loss) per Share	\$0.01	\$0.01	\$(0.01)
Fully Diluted Income (Loss) per Share	\$0.01	\$0.01	\$(0.01)
Total Assets	\$1,611,032	\$1,668,645	\$1,132,322
Total Long-term Liabilities	\$4,870	\$11,909	\$18,639

### Revenues

Revenue from commercial construction has decreased by \$1,417K as a result of the completion of a large construction project for one customer. The revenue generated from this customer was approximately \$1.2M in the prior year and the Company was not able to replace with a similar size construction project in the current year.

### Subcontract and Material Costs

The subcontract and material costs equal to 32% of gross revenue, which has decreased from 54% in the previous year. The decrease is a result of the Company controlling their subcontractors costs through using new subcontractors that were charging a lower fee but providing a quicker turnaround without sacrificing quality.

### Expenses

General and administrative expenses is consistent with the prior year as the expenses are fixed and do not fluctuate much from year to year.

Salaries and benefits is also consistent with the prior year, as the Company has maintained the same head count as in the prior year.

During the year, the Company incurred a loss on the forgiveness of debt of \$40,531 relating to a loan provided to a Company that is under common control. The related company was entering into a transaction with a potential acquirer and requested the Company to forgive the debt.

## Summary of Quarterly Results (in accordance with IFRS)

	Sep 30, 2018	June 30, 2018	March 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Revenues	\$1,252,613	\$ 680,024	\$ 670,613	\$ 1,082,028	\$ 1,333,402	\$1,140,050	\$1,358,798	\$ 1,270,882
Expenses	\$1,188,563	\$641,091	\$666,864	\$ 836,590	\$ 1,328,339	\$979,904	\$1,346,621	\$ 1,245,996
Other expense	\$40,531	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Income taxes	\$21,345	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Net Income (Loss)	\$2,174	\$38,933	\$3,749	\$245,438	\$5,063	\$ 160,146	\$ 12,177	\$ 24,886
Basic and diluted EPS	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.01	\$0.00	\$0.00

## Quarterly Results (Comparison of Fourth Quarter of 2018 with Fourth Quarter of 2017)

### Revenues

The Company was able to generate new jobs in the last quarter to be comparable to the number of jobs in the last quarter in the previous year. The Company has two jobs that were outstanding in the last quarter which is comparable to the last quarter in the previous year. Overall the decrease of \$81K was not significant.

### Subcontract and Material Costs

The subcontract and material costs equal to 40% of gross revenue, which has decreased compared to the previous year of 44%. This is due to decreased costs of materials, supplies and subcontractors compared to the prior year as the prices have stabilized.

### Expenses

General and administrative expenses have decreased from the prior year as a result of less travelling in the fourth quarter compared to the prior year. The Company also recorded a forgiveness of debt to a related party of \$40,531 in the fourth quarter of the current year.

The amortization expense has decreased as a result of fewer equipment purchases during the period.

## **Liquidity and Solvency**

The company has a cash balance of \$135,676 and a positive working capital of \$39,612 as at September 30, 2018. Cash used in operating activities during the year ended September 30, 2018 was \$428,364 compared with the cash generated in the amount of \$530,901 in 2017. Cash used in investing activities during the year ended September 30, 2018 was \$41,344 while cash used in investing activities was \$189,072 in 2017. Cash generated from financing activities was \$114,121 during the year ended September 30, 2018 compared to cash used in financing activities of \$24,496 in 2017.

The Company has sufficient financial resources to continue operation and is expecting increased income to be generated from operations and even better liquidity in the future.

## **Capital Resources**

The Company has commitments of \$403,542 due to the lease agreement for its present location, which expires May 31, 2022.

The Company has available a line of credit of \$35,000 bearing interest at prime plus 3.5%, secured by a general security agreement and is due on demand. No amount has been drawn on the line of credit as at September 30, 2018.

## **Transactions with Related Parties**

Amounts receivable from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. The related parties are related to the Company by reason of being under common control. During the year, the Company recorded a forgiveness of debt in the amount of \$40,531 relating to an amount receivable from a related party. Amounts payable to related parties consist of advances from directors and companies controlled by directors of the Company. Amounts are unsecured, bear no interest and have no specific terms of repayment.

All related party transactions were in the normal course of operations and recorded at the exchange amount which was the amount of consideration established and agreed to between the related parties.

Key management includes senior executives of the Company. The compensation expense paid during the year ended September 30, 2018 to key management for employee, consulting and management services are as follows:

Chief Executive Officer: \$ 222,000

Chief Financial Officer: \$ 210,000

## **Risk Factors**

The corporation is exposed to a variety of business and other risks and uncertainties including the following:

- Volatility in the market price of our common shares.
- Our ability to raise sufficient funds to carry on our operations.
- The demand for our services.
- Our ability to achieve profitable operations.

## **Financial Instruments and Other Instruments**

Financial instruments of the company consist of cash, accounts receivable, amounts receivable from related parties, accounts payable and accrued liabilities, long-term debt, and amounts payable to related parties. Cash is classified as a financial asset held for trading and is measured at fair value. Gains and losses related to periodical revaluation are recorded in net income. Accounts receivable and amounts receivable from related parties are classified as loans and receivable. Accounts payable and accrued liabilities, long-term debt and amounts payable to related parties are classified as financial liabilities measured at amortized cost. Financial instruments classified as loans and receivable and financial liabilities measured at amortized cost are initially measured at fair value with subsequent periodical revaluations recorded at amortized costs using the effective interest rate method.

## **Off – Balance Sheet Arrangements**

As at September 30, 2018, we have not entered into any off-balance sheet arrangements.

## **Share Structure**

The Company has 25,635,635 common shares outstanding at January 28, 2019.

## **Future Accounting Pronouncements**

IFRS 9 “Financial Instruments” (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for the Company’s fiscal year beginning October 1, 2018. The Company is currently completing its assessment the impact of this standard will have on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services. IFRS 15 is effective for the Company's fiscal year beginning October 1, 2018. The Company is currently completing its assessment the impact of this standard will have on its consolidated financial statements.

IFRS 16 Leases was issued by the IASB in January 2016. The new standard replaces IAS 17 Leases and requires lessees to recognize all leases on the balance sheet. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. Earlier application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 is effective for the Company's fiscal year beginning October 1, 2019. The Company is currently completing its assessment the impact of this standard will have on its consolidated financial statements.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

The consolidated financial statements for the year ended September 30, 2018 include a full discussion and description of the Company's critical accounting policies and estimates/judgments used in preparing the financial statements.

### **Forward Looking Information**

This management discussion and analysis may contain forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. These statements are not historical acts and are subject to risks and uncertainties which could cause actual results and the timing of certain events to differ materially from those set forth in or implied herein including, without limitation, risks associated with the company's proposed activities.