

FORM 51-102F1

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") as of January 28, 2020 should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2019 and accompanying notes thereto. All dollar amounts are expressed in Canadian funds unless otherwise stated.

International Financial Reporting Standards ("IFRS")

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

Except as otherwise noted, the financial information contained in this MD&A and in the consolidated financial statements has 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 having strong revenue 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

	2019	2018	2017
Revenue	\$2,495,212	\$3,685,278	\$5,103,132
Expenses	\$2,710,859	\$3,333,108	\$4,900,860
Other Loss	\$22,399	\$40,531	---
Income Tax Expense (Recovery)	\$(14,586)	\$21,345	---
Net Income (Loss)	\$(223,460)	\$290,294	\$202,272
Income (Loss) per Share	\$(0.01)	\$0.01	\$0.01
Fully Diluted Income (Loss) per Share	\$(0.01)	\$0.01	\$0.01
Total Assets	\$1,280,299	\$1,611,032	\$1,668,645
Total Long-term Liabilities	\$ -	\$4,870	\$11,909

Revenues

Revenue from commercial construction has decreased by \$1,190,066 due to the softening of the real estate industry in the greater Vancouver market. In addition, the Company's recurring customers have a smaller capital budgets in the current year resulting in less contracts in the current year compared to the prior year.

Subcontract and Material Costs

The subcontract and material costs equal to 29% of gross revenue, which is lower than the prior year of 32% as a result of better control over subcontractor costs in the current year and also lower material costs.

Expenses

General and administrative expenses is consistent with the prior year as there have been no significant change in the operating expenses of the Company, however, the management fee paid during the year is \$150K less than the prior year.

The Company issued 5,100,000 stock options for the year ended September 30, 2019 and recorded a share-based compensation expense of \$187,270.

Summary of Quarterly Results (in accordance with IFRS)

	Sep 30, 2019	June 30, 2019	March 31, 2019	Dec 31, 2018	Sep 30, 2018	June 30, 2018	March 31, 2018	Dec 31, 2017
Revenues	\$746,297	\$ 350,671	\$ 585,073	\$ 813,171	\$1,252,613	\$ 680,024	\$ 670,613	\$ 1,082,028
Expenses	\$656,591	\$ 567,024	\$ 568,664	\$ 918,580	\$1,188,563	\$641,091	\$666,864	\$ 836,590
Other expenses	\$22,399	\$-	\$-	\$-	\$40,531	\$-	\$-	\$-
Income taxes	\$(14,586)	\$-	\$-	\$-	\$21,345	\$-	\$-	\$-
Net Income (Loss)	\$81,893	\$(216,353)	\$16,409	\$(105,409)	\$2,174	\$38,933	\$3,749	\$245,438
Basic and diluted EPS	\$0.00	\$(0.01)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01

Quarterly Results (Comparison of fourth Quarter of 2019 with fourth Quarter of 2018)

Revenues

Revenue from commercial construction has decreased by \$506,316 in the current quarter compared to the fourth quarter of last year as a result of timing of commercial contracts and also due to the softening of the greater Vancouver real estate market.

Subcontract and Material Costs

The subcontract and material costs equal to 29% of gross revenue, which is consistent with the prior year of 32%.

Expenses

General and administrative expenses is consistent with the prior year as there have been no significant change in the operating expenses of the Company. The Company also recorded a tax recovery of \$14,586 by carrying back current year losses to recover taxes paid in previous years.

Liquidity and Solvency

The company has a cash balance of \$138,730 and a negative working capital of \$41,340 as at September 30, 2019. Cash provided in operating activities during the year ended June 30, 2018 was \$10,483 compared with the cash used in the amount of \$428,364 in 2018. Cash used in investing activities during the year ended September 30, 2019 was \$23,727 while cash used in investing activities was \$41,344 in 2018. Cash received in financing activities was \$16,298 during the year ended September 30, 2019 compared with the cash provided in the amount of \$114,121 in 2018.

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 \$295,517 due to the lease agreement for its present location, which expires May 31, 2022.

The Company has available a line of credit of \$100,000 bearing interest at prime plus 3.5%, secured by a general security agreement and is due on demand. \$40,972 has been drawn on the line of credit as at September 30, 2019.

Transactions with Related Parties

Amounts receivable from related parties consist of advances to companies under common control. Amounts are unsecured, bear no interest and have no specific terms of repayment. During the year ended September 30, 2019 an expected credit loss provision was recorded for the amounts due

from related party as a result of adoption of IFRS 9. An transitional adjustment of \$79,875 was recorded to retained earnings and a credit loss of \$22,399 was recorded in the statement of operations.

Amounts payable to related parties consist of advances from directors of the Company and companies controlled by directors of the Company. Amounts are unsecured, bear no interest and are payable on demand.

Key management includes senior executives of the Company. The compensation expense paid during the nine month ended June 30, 2019 to key management for employee services are as follows:

Salaries: \$220,000

Management Fees: \$210,000

Share-based Compensation: \$55,079

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, long-term debt and amounts payable to related parties. The Company adopted IFRS 9 Financial Instruments effective October 1, 2018. The adoption of the new standard did not have an effect on measurement, however, the classification of the financial instruments have changed as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash	FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Amounts receivable from related parties	Loans and receivables	Amortized cost
Financial liabilities		

Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Amounts payable to related parties	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

The new standard also includes a new expected credit loss model for calculating impairment on financial assets. This change resulted in an adjustment to the carrying amount for the amounts receivable from related parties at the date of transition, October 1, 2018. The impact to the financial statements was discussed above for the amounts due from related parties.

The Company adopted IFRS 15 using the modified retrospective method. Under the modified retrospective method, the Company will apply the guidance retrospectively only to the most current period presented in the financial statements. To do so, the Company will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application, which is October 1, 2018. An entity may elect to apply the modified retrospective method to either all contracts as of the date of initial application or only to contracts that are not completed as of this date. The Corporation has elected to apply the modified retrospective method only to those contracts not completed before the date of initial application. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for the goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when the performance obligation is satisfied.

The Company has determined their contracts have one performance obligation that is satisfied over time. Since the Corporation applies the percentage of completion method to account for revenue in the current year and prior year, there will be no cumulative effect required to be recognized in opening retained earnings.

Off – Balance Sheet Arrangements

As at September 30, 2019, 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 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 assessing the impact of this standard 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.

There is a full discussion and description of the Company’s estimates and judgments used in preparing the consolidated financial statements for the year ended September 30, 2019 in Note 2 to the consolidated 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.