

Red River Capital Corp.
Management's Discussion and Analysis
For The Year Ended March 31, 2019

**RED RIVER CAPITAL CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the years ended March 31, 2019 and 2018

Management's Discussion and Analysis ("MD&A") is dated July 22, 2019 and should be read in conjunction with the audited financial statements for the years ended March 31, 2019 and 2018 for a full understanding of the financial position and results of operations of Red River Capital Corp. ("Red River" or the "Corporation" or the "Company").

Certain statements included in this MD&A may constitute forward-looking statements involving known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe" and "plan". These statements reflect management's current expectations regarding future events and operating performance and are valid only as of the date hereof. These forward-looking statements involve a number of risks and uncertainties, including the impact of general economic conditions, industry conditions, and changes in laws and regulations, increased competition, fluctuations in commodity prices and foreign exchange, and interest rates and stock market volatility. The Company does not reconcile past forward-looking information but presents its most current view based on the known facts on hand at the time of dissemination. Specifically, the outlook section may contain forward-looking information which will be identified as such.

This MD&A and Interim Financial Statements for the years ended March 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard 34, "Interim Financial Reporting".

Description of the Business

Red River Capital Corp. (the "Company") was incorporated under the laws of the Province of Alberta on December 20, 2017. The Company is classified as a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company will be to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. The address of the registered office is 1900, 520 3rd Avenue SW Calgary, Alberta.

Pursuant to a final prospectus dated April 26, 2018, the Company completed a public offering of 3,000,000 shares for gross proceeds of \$300,000 on July 26, 2018. The net proceeds received by the Company were \$258,675 after payment of fees related to the offering of \$41,325. In addition, the Agent was granted the option to purchase up to 300,000 common shares at a price of \$0.10 per Common Share. This option expires 24 months from July 26, 2018. The Company also granted share options to purchase an aggregate of 550,000 common shares at an exercise price of \$0.10 per Common Share to the directors and officers of the Corporation, which expire five years from July 26, 2018.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's shares from trading.

The Corporation does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

Selected Financial Information**Selected Statement of Financial Position Data**

	<u>As at March 31, 2019</u>	
Net working capital	\$	271,380
Total current assets		278,236
Total current liabilities		6,856
Total shareholders' equity		271,380

Selected Statement of Operations Data

	<u>Year ended March 31, 2019</u>	
Revenue	\$	616
Expenses		119,642
Net loss for the period		119,026
Net loss per share (basic & diluted)		0.06

Liquidity and Capital Resources

As at March 31, 2019, the Corporation had working capital of \$271,380, including sufficient cash to meet its ongoing obligations to complete its Qualifying Transaction.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at March 31, 2019.

Critical Accounting Estimates and Policies

The Corporation's significant accounting policies are disclosed in the audited financial statements for the year ended March 31, 2019.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Disclosure of Outstanding Share Data

Authorized Share Capital

Unlimited number of voting Common Shares, without nominal or par value

Unlimited number of non-voting Preferred Shares, without nominal or par value

ISSUED	Number Of Shares	\$
At incorporation, issued for cash	2,500,000	125,000
Initial public offering	3,000,000	300,000
Share issue costs	-	(110,730)
Balance as at March 31, 2019	<u>5,500,000</u>	<u>314,270</u>

On January 10, 2018 the Company issued 2,500,000 common shares to directors of the Company at a price of \$0.05 per share. All 2,500,000 common shares are subject to an escrow agreement whereby 10% of the

shares will be released upon completion and approval of the Company's qualifying transaction. An additional 15% of the escrowed common shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common shares issued upon the exercise of the Agent's warrants are restricted such that only 50% of the issued shares on exercise of such warrants may be sold prior to the Company completing a qualifying transaction.

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Company is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Company issued and outstanding at the closing of the Company's initial public offering. Such options will be exercisable for a period of up to five years from the date of grant.

In conjunction with the close of the Initial Public Offering (IPO), the Company granted 550,000 options at \$0.10 per share to the directors and officers of the Company exercisable for a period of 5 years that all vested at the time of the grant on July 26, 2018. The estimated fair value of these options as calculated using the black Scholes pricing model is \$69,300 and was charged to operations during the year ended March 31, 2019.

The Contributed Surplus balance is comprised of:

	Total
Officers & directors options	\$ 69,300
Agents options	12,900
Balance, end of period	<u>\$ 82,200</u>

The change in the Contributed Surplus balance compared to the previously reported figure is due to a change in the estimates of expected annual volatility.

The assumptions for the Black-Scholes Pricing Model for all the stock options:

	Directors & Officers	Agent
Stock price	\$0.10	\$0.10
Exercise price	\$0.10	\$0.10
Risk free interest rate	2.19%	2.05%
Expected life (years)	5	2
Expected annual volatility	116%	78%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

The following table reflects the continuity of options granted under the Plan:

	March 31, 2019	
	Number of Options	Fair Value Recorded
Balance, beginning of period	-	
Issued to directors & officers	550,000	\$ 69,300
Issued to agent	300,000	12,900
Balance, end of period	<u>850,000</u>	<u>\$ 82,200</u>

As at March 31, 2019 the remaining contractual life for options outstanding to directors and officers is 4.25 years and agent options 1.25 years

Expiry Date	Exercise Price	Outstanding March 31, 2019	Exercisable	Remaining Contractual Years
July 2023	\$ 0.10	550,000	550,000	4.25
July 2020	\$ 0.10	300,000	300,000	1.25

Risks and Uncertainties

The Corporation has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There can be no assurance that the Corporation will be able to obtain adequate financing to continue. The securities of the Corporation should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Corporation's securities:

- a) until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Corporation has had no business activity and has not acquired any material assets since its incorporation other than cash;
- c) the Corporation does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
- e) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation;
- g) there can be no assurance that an active and liquid market for the common shares will develop and an investor may find it difficult to resell its common shares;
- h) if the Corporation fails to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange could suspend or delist the common shares of the Corporation and an interim cease trade order may be issued against the Corporation's securities by an applicable securities commission if its common shares are suspended from trading on or delisted from the TSX Venture Exchange or otherwise; and
- i) the Corporation competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Corporation.

Related Party Transactions

There were no related party transactions during the period other than those disclosed elsewhere in the report.

Other Information

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. The Directors of the Corporation handle corporate communications and investor inquiries. Additional information about the Corporation is available on SEDAR at www.sedar.com.