



# IGC RESOURCES INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JULY 31, 2018

#### INTRODUCTION

Management's discussion and analysis ("MD&A") provides a review of performance of IGC Resources Inc.'s ("IGC" or the "Company") operations and has been prepared on the basis of available information up to November 15, 2018 and should be read in conjunction with the financial statements for the year ended July 31, 2018 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following management discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Some of the statements made in this MD&A are forward looking statements that are subject to risk factors set out in the cautionary note contained herein.

The Company's common shares are listed on the NEX trading symbol – IGC.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

#### DESCRIPTION OF THE BUSINESS

The Company was incorporated under the laws of British Columbia in 1992 and continued into the Yukon Territory under the *Business Corporations Act* (Yukon) on March 3, 2000. Effective July 21, 2004, the Company was continued out of the Yukon Territory back into British Columbia and changed its name from "International Green Ice Inc." to "IGC Resources Inc."

The Company is a reporting Company in British Columbia and Alberta that previously traded on the TSX Venture Exchange (the "TSX-V"). On July 10, 2014, the Company was moved to the NEX board as IGC had ceased to carry on an active business.

#### OVERVIEW

Currently, the Company has no active business. During the most recently completed financial year end, the Company:

- Consolidated its issued and outstanding shares on a 10:1 basis;
- Completed a non-brokered private placement of 7,999,999 post consolidation units to raise gross proceeds of \$600,000; and,
- Evaluated a number of high-quality investment opportunities.

On October 4, 2018, IGC entered into an amalgamation agreement with Westleaf Cannabis Inc. ("Westleaf") and 2147378 Alberta Ltd. ("IGC Subco"), (the "Amalgamation Agreement") whereby the business and assets of Westleaf and IGC will be combined by way of a three cornered amalgamation between Westleaf, IGC and IGC Subco in accordance with the Business Corporations Act (Alberta) (the "Proposed Transaction"). Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "Resulting Issuer") will carry on the business previously carried on by Westleaf. Completion of the Proposed Transaction is subject to a number of conditions including, but not limited to, completion of a private placement, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction, TSXV acceptance of the Proposed Transaction and, if applicable pursuant to TSXV requirements, shareholder approval. In connection with the Proposed Transaction, it is expected that the Company will consolidate its issued and outstanding common shares on the basis of 2.9233 post-consolidation share for each pre-consolidation share prior to closing of the transaction.

Westleaf is a private vertically integrated cannabis company, focused on innovative retail experiences, engaging cannabis brands and premium cannabis production. Westleaf is headquartered in Calgary, Alberta and was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on August 22, 2017. Since incorporation, Westleaf has used its funds to execute its vertically integrated business plan, which includes applying for prospective cannabis retail stores in privatized markets across Canada, developing extraction and processing facility in Calgary, Alberta and developing a large-scale indoor cannabis cultivation facility located in Battleford, Saskatchewan. Westleaf is developing a national retail footprint for its retail concept "Prairie Records", which leverages the instinctual tie of recreational cannabis and music and redefines the cannabis purchasing experience.

IGC Subco was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on October 4, 2018 and its head office and registered and records office is located in Calgary, Alberta. IGC Subco is a wholly-owned subsidiary of IGC, incorporated by IGC for the purpose of completing the transaction.

On October 16, 2018, the Company entered into an engagement agreement with Westleaf and Canaccord Capital Corp. ("Canaccord"), as lead agent, on behalf of a syndicate of agents (collectively, the "Agents") in connection with a brokered private placement for a minimum of 17,648,000 subscription receipts of IGC (the "Subscription Receipts") at a price of \$0.85 per Subscription Receipt to raise, on a commercially reasonable efforts basis, gross proceeds of a minimum of \$15,000,800 (the "Offering"). The Company has also granted the Agents an option (the "Over-Allotment Option"), to place up to an additional 15% of the number of Subscription Receipts issuable under the Offering at a price of \$0.85 per security, exercisable at any time, for a period expiring the earlier of: (a) 30 days after and including the closing date of the Offering; or, (b) the closing date of the Proposed Transaction. The Over-Allotment Option is exercisable to acquire Subscription Receipts for Units.

Each Subscription Receipt will be automatically exchanged, upon satisfaction of certain escrow release conditions, into one unit of the Company (a "Unit"). Each Unit shall consist of one post-consolidation common share of the Resulting Issuer and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each warrant shall be exercisable to acquire one Resulting Issuer Share (a "Warrant Share") for a for a period of 24 months from closing at an exercise price of \$1.30 per Warrant, subject to adjustment in certain events. If the escrow conditions are not met by December 31, 2018, all funds will be returned to the subscribers without deduction. The Offering is expected to close November 29, 2018.

If at anytime commencing on the later of (a) the date that is 4 months from the closing of the Offering; and, (b) the date of the expiry or waiver of the Hold Period, the ten (10) trading day volume weighted average trading price of the Resulting Issuer on any public stock exchange exceeds price exceeds \$1.80, then the Resulting Issuer may give notice within five (5) trading days immediately following such ten (10) trading day period (the "Acceleration Notice") to the holder; (i) setting forth the calculation of the volume weighted average trading price of the Resulting Issuer Shares for the purposes of the such notice; and, (ii) stating that if the Warrants are not exercised by 4:00 p.m. MST on the date specified by the Resulting Issuer in such notice as the "Accelerated Expiry Date", which Acceleration Expiry Date shall be not less than ten (10) days after the date of the Acceleration Notice, then the Warrants shall expire and be of no further force and effect.

The Resulting Issuer Shares issued in exchange for the Subscription Receipts, the Warrants, the Warrant Shares, the Broker Warrants, as defined below, and the Resulting Issuer Shares issuable on the exercise of the Broker Warrants shall have a 4 month hold period from the closing of the Proposed Transaction.

The Agents will receive a cash commission equal to 6% of the gross proceeds of the Offering and such number of Agent's compensation warrants ("Broker Warrants") equal to 6% of the number of Subscription Receipts issued under the Offering. Each Broker Warrant shall entitle the holder to acquire one Resulting Issuer Share at an exercise price of \$0.85 for a period of 24 months following the closing of the Offering.

## SELECTED ANNUAL INFORMATION

(Information extracted from the Company's audited financial statements)

### **Selected Annual Financial Information**

(Expressed in Canadian Dollars)

	2018	2017	2016
	\$	\$	\$
Revenues	-	-	-
Net loss	(188,815)	(20,100)	(26,993)
Net loss per share - basic and diluted	(0.03)	(0.01)	(0.01)
Cash dividends	-	-	-
Total assets	425,585	1,145	1,091
Long term liabilities	-	-	-
Shareholders' equity (deficit)			
Share capital	11,346,618	11,035,454	11,035,454
Reserves	1,772,080	1,493,708	1,493,708
Deficit	(12,794,505)	(12,605,690)	(12,585,590)
Shareholders' equity (deficit)	324,193	(76,528)	(56,428)

## FINANCIAL POSITION

As at July 31, 2018, the Company had current assets of \$425,585 and current liabilities of \$101,392 compared to current assets of \$1,145 and current liabilities of \$77,673 as at July 31, 2017. At July 31, 2018, the Company had working capital of \$324,193 compared to working capital deficit of \$76,528 at July 31, 2017.

The Company had cash of \$424,553 at July 31, 2018 compared to \$52 at July 31, 2017. During the year ended July 31, 2018, the Company recorded cash used in operations of \$137,017 compared to cash used in operations of \$15,203 in 2017.

There were no investing activities during the year ended July 31, 2018. During the year ended July 31, 2018, related parties advanced the Company \$11,160 (2017: \$15,101) in loan proceeds to pay creditors. The balances of the loans payable totalling \$39,178 were repaid during the most recently completed financial year. Funds of \$600,000 were raised in the current year. Costs of \$10,464 were incurred in connection with the financing. A portion of the net proceeds of \$589,536 from the non-brokered unit private placement were used to pay creditors and the balance of funds will be used for general working capital purposes.

## RESULTS OF OPERATIONS

Year ended July 31, 2018 compared with year ended July 31, 2017

(Information extracted from the Company's audited financial statements)

Expressed in Canadian Dollars

	For the years ended July 31,	
	2018	2017
Operating expenses		
Accounting and audit	\$ 35,150	\$ 5,800
General and administrative	115	408
Legal	26,669	3,857
Management consulting fees	72,188	-
Office rental and services	37,500	-
Transfer agent, listing and filing fees	17,193	10,035
<b>Net loss and comprehensive loss for year</b>	<b>\$ (188,815)</b>	<b>\$ (20,100)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>
Weighted average number of shares outstanding - basic and fully diluted	5,527,675	2,656,443

### Net loss

During the year ended July 31, 2018, the Company reported a net loss of \$188,815 compared to a net loss of \$20,100 during the same period in fiscal 2017.

In the current year, fees of \$26,750 were charged by the Company's CFO for accounting advisory services and \$30,000 was charged by the Company's former CEO for management consulting services. Additionally, the Company had engaged the services of a Company to assist in identifying and evaluating high-quality investment opportunities. Fees of \$75,893 were accrued at July 31, 2018 for consulting (\$42,188) and office rental and services (\$37,500) as due to this Company.

Legal fees of \$26,669 were incurred in the current year for services provided to affect the share consolidation and consultation on general corporate matters. Transfer agent fees increased from \$10,035 in 2017 to \$17,193 in the current year as a result of the additional charges for the share consolidation.

### SUMMARY OF QUARTERLY RESULTS - UNAUDITED

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters.

Quarter Ended	Net revenues	Net income (loss)*	Loss per share basic	Loss per share - diluted
	\$'s	\$'s	\$'s	\$'s
31-Jul-18	-	(101,439)	(0.01)	(0.01)
30-Apr-18	-	(15,421)	(0.00)	(0.00)
31-Jan-18	-	(69,556)	(0.03)	(0.03)
31-Oct-17	-	(2,399)	(0.00)	(0.00)
31-Jul-17	-	(5,347)	(0.00)	(0.00)
30-Apr-17	-	(2,216)	(0.00)	(0.00)
31-Jan-17	-	(3,820)	(0.00)	(0.00)
31-Oct-16	-	(8,717)	(0.00)	(0.00)

\*Values may not add to reported amount for the years then ended due to rounding

## LIQUIDITY AND CAPITAL RESOURCES

The Company currently is not carrying on any active business operations. At July 31, 2018, the Company had working capital of \$324,193.

These financial statements are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At July 31, 2018, the Company had working capital of \$324,193. During the year ended July 31, 2018, the Company had incurred a net loss totalling \$188,815. The accumulated deficit at July 31, 2018 is \$12,794,505. The Company completed a financing in March 2018, which provided funds of \$589,536 to pay its creditors and for working capital purposes. Based on the Company's financial position at July 31, 2018, available funds are not considered adequate to meet requirements for the next twelve months based on the Company's plans to complete a transaction to acquire a high-quality investment within this timeframe. To meet expenditure requirements, the Company will have to access financial resources through the issuance of securities or debt.

## TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and members of the senior management group.

Remuneration attributed to key management personnel is as follows:

	July 31, 2018	July 31, 2017
Services provided:		
Accounting fees	\$ 26,750	\$ -
Management consulting fees	30,000	-
	\$ 56,750	\$ -

During the year ended July 31, 2018, \$11,160 (2017: \$13,068) in loan proceeds were advanced to the Company to pay creditors, as set out in the table below. The balances of the loans payable totalling \$39,178 were repaid during the most recently completed financial year. The loans payable are without interest or stated terms of repayment.

	July 31, 2018	July 31, 2017
Due to a company controlled by a director	\$ -	\$ 13,325
Due to a shareholder	-	14,693
	\$ -	\$ 28,018

Amounts due to related parties included in accounts payable and accrued liabilities are as follows:

	July 31, 2018	July 31, 2017
Balances accrued or payable to key management personnel for compensation	\$ 12,000	\$ 9,188

## PROPOSED TRANSACTIONS

As of July 31, 2018, the Company has no proposed material transactions.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company has identified the following accounting policy under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company's statement of financial position within the next years. Actual results may differ from these estimates.

#### Going concern

These financial statements have been prepared on the assumption that the Company is able to continue as a going concern. Additional information relating to the going concern assumption is disclosed in note 1 to the audited annual financial statements.

#### Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

### **ACCOUNTING POLICIES**

The Company has applied IFRS, as disclosed in note 3 to the audited annual financial statements, which are applied on a consistent basis.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES**

Currently, the certification required by the Company's certifying officers under National Instrument 52-109 Certificate of Disclosure in Company's' Annual and Interim Filings (NI 52-109F), the Venture Company 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. This includes:

- i. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company 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 legislations; 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 Company's GAAP.

The Company's certifying officers are responsible for ensuring processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture Company 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.

### **OUTSTANDING SHARE DATA**

The Company has one class of common shares. As at July 31, 2018 and the date of this report there were 10,656,442 common shares outstanding.

As at July 31, 2018 and the date of this report, the Company has no outstanding stock options and 7,999,999 warrants outstanding.

## **RISKS AND UNCERTAINTIES**

These accompanying audited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon the continuing financial support of creditors and obtaining long-term financing.

While the Company attempts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds that will be available for operations. These audited financial statements do not include adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company be unable to continue in existence.

## **CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION**

Certain information set forth in this MD&A includes management's assessment of the Company's future plans and contains forward-looking statements within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Forward looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

Although this information is based on the Company's current internal expectations, assumptions and estimates, it may prove to be incorrect. These forward-looking statements are not guarantees of future performance and undue reliance should not be placed on them. They are subject to unknown risks and uncertainties which may include, among other things, changes in economic and market conditions.

## **ADDITIONAL INFORMATION**

Additional information on the Company is available for viewing on the *System for Electronic Data Retrieval* ("SEDAR") at [www.sedar.com](http://www.sedar.com).