

ALPHANCO VENTURE CORP.
(the “Company”)

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended July 31, 2020

The following management discussion and analysis (“MD&A”) has been prepared by management as of Sept 23, 2020, and should be read in conjunction with the audited financial statements and related notes of the Company for the years ended July 31, 2020 and 2019. The financial statements have been prepared using accounting principles consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”). All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars unless otherwise stated. Additional information on the Company can be found on SEDAR at www.sedar.com. The reader should be aware that historical results are not necessarily indicative of future performance. The financial statements together with the following MD&A are intended to provide readers with a reasonable basis for assessing the financial performance of the Company.

FORWARD LOOKING STATEMENTS

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risks and uncertainties. All statements, other than statements of historical facts, which address the Company’s expectations, should be considered forward-looking statements. Such statements are based on management’s exercise of business judgment as well as assumptions made by and information currently available to management. When used in this document, the words “may”, “will”, “anticipate”, “believe”, “estimate”, “expect”, “intend” and words of similar import, are intended to identify any forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. Certain material factors or assumptions are applied in making forward-looking statements and actual results, performance or achievements may differ materially from those expressed or implied in such statements. You should not place undue reliance on forward-looking statements as a number of important factors, many of which are beyond our control, could cause actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors that relate to our company include, but are not limited to: execution of the business plan; expansion plans; dependence on key personnel; key relationships; dependence on key customers; dependence on key suppliers; competition; market factors and volatility of commodity prices; operating risks; proprietary rights; infrastructure; future capital requirements; technical substitution; exchange rate fluctuations; insurance; weather conditions and natural disasters; control by management; seasonality; dividends; conflicts of interest; global financial conditions; change of law; government sector intervention; foreign investment; repatriation of profit and currency conversion; tax; shareholders’ rights and enforcement judgments; protection of intellectual property rights; permits and business licenses; appropriation. Should one or more of these factors materialize or should the Company’s estimates or underlying assumptions prove incorrect, actual results, performance or achievements may vary materially from those described in forward-looking statements.

The Company cannot assure readers that actual results, performance and achievements will be consistent with these forward-looking statements, and the differences may be material. The Company undertakes no obligation to update any forward-looking statements except as required by law.

OVERVIEW

Alphanco Venture Corp. was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on August 1, 2018 and is listed as a capital pool company (“CPC”) on the TSX Venture Exchange (the “TSXV”) under the symbol “AVC.P”.

In September 2018, the Company issued 2,700,000 common shares at a price of \$0.05 per share for gross proceeds of \$135,000. In January 2019, the Company filed and had received a final prospectus for an initial public offering (the “IPO”). On February 28, 2019, the Company closed its IPO and issued a total of 4,000,000 common shares at \$0.10 per share for gross proceeds of \$400,000. The common shares of the Company effectively commenced trading on the TSXV on March 4th, 2019.

In connection with this IPO, the Company paid cash commissions of \$55,000 and issued 400,000 broker warrants with a fair value of \$25,639. The broker warrants were valued using the Black Scholes option pricing model with the following assumptions: market price of \$0.06, term of two years; volatility of 127.9%; and discount rate of 1.78%. Each warrant entitles the holder to purchase one common share at a price of \$0.10 until February 28, 2021. In addition, the Company paid legal fees and expenses of \$22,966 relating to this offering.

On February 27, 2019, the Company granted incentive stock options to its directors and officers to purchase up to 670,000 common shares exercisable at \$0.10 per share for a period of five years expiring on February 27, 2024. The estimated fair value was \$0.08 per option estimated using the Black-Scholes Option Pricing Model with risk-free interest rate of 1.80% dividend yield of 0%, expected volatility of 118.87% and expected life of 5 years. During the year ended July 31, 2019, the Company recognized \$55,170 in share-based compensation relating to these grants.

As at July 31, 2020, the Company had 6,700,000 issued and outstanding common shares.

The purpose of the IPO was to provide the Company with a minimum of funds with which to identify and evaluate assets or businesses with a view to completing a “Qualifying Transaction” as such term is defined in CPC policy 2.4 of the TSXV. Until the completion of a Qualifying Transaction, the Company will not carry on any other business. The Company has not commenced commercial operations and has no assets other than a minimal amount of cash. As of the date of this MD&A, the Company has not entered into any letter of intent or agreement towards completing a Qualifying Transaction.

SELECTED ANNUAL INFORMATION

The following table summarizes financial information, prepared in accordance with IFRS, for the Company for the period from incorporation on August 1, 2018 to July 31, 2020. The presentation and functional currency of the Company is the Canadian dollar.

	July 31, 2020	July 31, 2019
	\$	\$
Total revenue	Nil	Nil
Net loss	10,556	98,044
Net loss per share, basic and diluted	0.00	0.03
Total assets	406,640	417,236
Total non-current financial liabilities	Nil	Nil
Total shareholders' equity	403,604	414,160

During fiscal 2020, the Company reduced its expenses while it searched for opportunities. Most of the year's loss related to costs required to maintain its public listing.

During fiscal 2019, the Company raised share capital while it investigated potential business opportunities for acquisition. This activity led to consulting and professional costs as well as the costs of maintaining the Company as a reporting issuer. The Company has reported no discontinued operations and has paid no dividends and is unlikely to pay dividends for the foreseeable future.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

	3 Months ended Jul 31, 2020	3 Months ended Apr 30, 2020	3 Months ended Jan 31, 2020	3 Months ended Oct 31, 2019	3 Months ended Jul 31, 2019	3 Months ended Apr 30, 2019	3 Months ended Jan 31, 2019	3 Months ended Oct 31, 2018
Total revenue	Nil							
Income (Loss)	\$ (3,356)	\$ (5,330)	\$ (320)	\$ (1,550)	\$ 7,847	\$ (80,078)	\$ (16,481)	\$ (9,332)
Net loss per share, basic and diluted	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00
Total assets	406,640	413,971	413,787	417,904	417,236	417,164	119,215	129,647
Total liabilities	3,036	7,011	1,497	5,294	3,076	1,439	10,028	3,979
Total shareholders' equity	403,604	406,960	412,290	412,610	414,160	415,725	109,187	125,668

RESULTS OF OPERATIONS

The selected financial information shown above is derived from the financial statements of the Company prepared within acceptable limits of materiality and is in accordance with International Financial Reporting Standards.

Operating Results for the Three Months Ended July 31, 2020

During the three months ended July 31, 2020, the Company recorded a loss of \$3,356 (\$0.00 per share) compared to income of \$7,847 (\$0.00 per share) in the same period of 2019. The 2020 loss resulted from ongoing administrative costs less interest earned on cash invested. The same was true of the 2019 period.

Operating Results for the Year Ended July 31, 2020

During the year ended July 31, 2020, the Company recorded a loss of \$10,556 (\$0.00 per share) compared to a loss of \$98,044 (\$0.03 per share) in the same period of 2019. There was little activity during the year ended July 31, 2020 as management searches for a Qualifying Transaction. In the same period in 2019, the Company incurred legal and regulatory fees related to its IPO and recorded share-based compensation expense related to options granted to directors and officers.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2020 the Company had current assets of \$406,640 to settle current liabilities of \$3,036 and used \$9,145 in cash for operating activities.

The Company had no financing activities in the year ended July 31, 2020.

The Company's investing activities generated cash of \$10,000 in the year ended July 31, 2020 by a partial redemption of its short-term investment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel comprise the Company's Board of Directors and executive officers. No remuneration was paid to key management personnel during the year ended July 31, 2020.

During the year ended July 31, 2020, the Company paid professional fees of \$Nil (2019 - \$9,660) to a sole practitioner law firm of which, Michael Woods, a director, is the sole practitioner. As of July 31, 2020, \$Nil is included in accounts payable and accrued liabilities related to these fees.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares of which 6,700,000 common shares are issued and outstanding as at the date of this MD&A. The Company also has outstanding as at the date of this MD&A 400,000 agent's warrants exercisable at \$0.10 and 670,000 stock options exercisable at \$0.10.

CRITICAL ACCOUNTING ESTIMATES

In the application of the Company's accounting policies, which are described in note 3 to the audited financial statements for the year ended July 31, 2020, management is required to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluations assets may not be recoverable.

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

- i) The determination of the fair value of stock options using stock option pricing models, require the input of highly subjective assumptions, including the expected share price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.
- ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: cash and cash equivalents and short-term investments as fair value through profit or loss and measured at fair value; and accrued interest receivable, trade and other payables as other financial liabilities and measured at amortized cost.

The carrying amount of cash and cash equivalents, short-term investments, accrued interest receivable and accounts payable carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents. The credit risk with respect to its cash and cash equivalents and short-term investments is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at July 31, 2020, the Company had cash and a short-term investment of \$406,640 to settle current liabilities of \$3,036. The Company's financial liabilities include accrued expenses and accounts payable which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Foreign exchange risk

At July 31, 2020 and at the date of this MD&A, the Company is not subject to significant foreign exchange risk.

Interest rate risk

The Company is exposed to interest rate risk arising from the cash and cash equivalents and short-term investments maintained at Canadian financial institutions. The interest rate risk on cash and cash equivalents and short-term investments is not considered significant due to their short-term nature and maturity.

RISKS AND UNCERTAINTIES

The Company does not have an active business and is currently listed as a CPC on the TSXV. Management is actively pursuing a Qualifying Transaction that will qualify the Company, at a minimum, for listing on Tier 2 of the TSXV. When and what acquisition to be made are uncertainties. As of the date of this MD&A, the Company has not entered into any letter of intent or agreement for possible merger or acquisition.

SIGNIFICANT ACCOUNTING POLICIES

Accounting standards and amendments issued and effective:

On 1 August 2018, the Company adopted the new accounting standard, IFRS 9, which replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduced a new classification and measurement model for financial assets and liabilities, a more forward-looking impairment model based on expected credit losses and a substantially reformed hedge accounting model.

IFRS 9 contains a new classification and measurement approach for financial assets, reflecting the business model for assets and for cash flow characteristics. The following table summarizes the classification impact of the Company's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any measurement adjustments of the Company's financial assets and liabilities.

IFRS 9 also replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. ECL's are a probability-weighted estimate of credit losses.

The Company adopted the above standard as applicable and noted no material impact on its financial statements.

The following standard adopted by the Company effective August 1, 2019:

IFRS 16 – Leases - On January 13, 2016 the IASB issued IFRS 16, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. This new standard does not have any impact on the Company's financial statements because the Company does not have any leases.

DISCLOSURE CONTROLS

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual and interim financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of Disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

There have been no changes in the Company's internal controls over financial reporting during the year ended July 31, 2020 that have materially affected, or are reasonably likely to materially affect, its controls over financial reporting.

ADDITIONAL INFORMATION

Additional information is available concerning the Company and its operations on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of the Company has approved the contents of this management discussion and analysis as of Sept 23, 2020.