

ROCKSHIELD CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED NOVEMBER 30, 2017

This discussion and analysis of financial position and results of operation is prepared as at March 29, 2018 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended November 30, 2017 and 2016, of Rockshield Capital Corp. ("Rockshield" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward Looking Statements

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about economics and competition surrounding the services provided by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward looking statement or information herein will prove to be accurate. Forward looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements or information. Factors that could cause actual results to differ materially from those in forward looking statements include such matters as continued availability of capital and financing and general economic, market or business conditions. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward looking statements or information. Any forward looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Company Overview

The Company was incorporated under the provisions of the B.C. Business Company Act on October 23, 2007. The Company's common shares trade on the Canadian Securities Exchange ("CSE") with the trading symbol of "RKS", on the OTCBB under the symbol "RKCSF" and the Frankfurt Stock Exchange under the symbol "6BC". The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company had previously been engaged in the acquisition and exploration of resource properties in Colombia. On May 6, 2014 the Company announced its intention to become a diversified company and carried on business both as an investment company and a resource company. At the end of fiscal 2015 the Company determined it would not follow-up on the application process on the two concessions (the "Pelaya Project") in Colombia and, as a result, at this time, the Company has no continuing resource activities or interests and conducts business solely as an investment company.

Since the change of business in 2014 the Company focussed on providing venture capital funding to early stage seed investments and investment in marketable securities, focusing on high growth sectors. As a junior venture capital firm and merchant bank, the Company is subject to risks and challenges similar to other companies in a comparable stage. These risks include, but are not limited to, dependence on key individuals, investment risks, market risks, illiquid securities and the ability to maintain adequate cash flows.

The Company is focussing on capitalizing on prospective business opportunities as they arise and maximizing liquidity for its shareholders. The Company proposes to conduct a reorganization and spin-out, as described in “Proposed Transactions”.

Directors and Officers

At the Company’s Annual General Meeting (“AGM”) held on November 9, 2017, Messrs. Dave Doherty, Nick DeMare, Marc Cernovitch and Luke Norman were re-elected as directors of the Company. Ms. Zulu Kropivnitski and Mr. Frank Taggart, former directors of the Company, declined to be nominated as directors for the ensuing year.

At a meeting of directors following the AGM, Mr. Doherty was re-appointed President and Chief Executive Officer (“CEO”) and Mr. DeMare was re-appointed Chief Financial Officer (“CFO”) and Corporate Secretary.

On December 11, 2017 Mr. Daniel Sorger was appointed as a Director of the Company.

Investment Portfolio

In fiscal 2014 the Company determined to diversify its business and seek opportunities in the investment sector with a particular focus on investments in early stage, high growth companies at all stages of development, including pre-initial public offering and /or early stage companies requiring start-up or development capital. The Company’s investments in marketable securities include common shares and other equity instruments of Canadian and U.S. companies that are listed on various Canadian stock exchanges or the OTCBB in the United States of America. The majority of the marketable securities instruments are shares of companies in the mining, energy, financial technology, medical technology and cannabis industries.

Management has designated its investments in common shares and warrants of publicly traded companies as “investments in equity instruments” with the change in fair value recognized in profit or loss. The carrying values of the common shares have been directly referenced to published price quotations in an active market. The carrying values of unlisted private companies are valued at fair value using non-discernible market inputs based on specific company information and general market conditions. The carrying values of the unlisted warrants are valued at fair value using the Black-Scholes option pricing model.

The Company has been actively managing its investment portfolio. During fiscal 2017 the Company made investment purchases totalling \$3,903,979 (2016 - \$1,130,040) and sold certain of its investment portfolio for proceeds totalling \$4,889,600 (2016 - \$233,544), recognizing a realized gain of \$2,359,929 (2016 - realized loss of \$201,866). As at November 30, 2017 the carrying value of the investment portfolio was \$7,949,236 (2016 - \$5,141,954), with an accumulated unrealized holding gain of \$3,755,315 (2016 - \$2,322,340) from its cost basis of \$4,193,921 (2016 - \$2,819,614).

Investment in REWP

In fiscal 2014 the Company, together with a third-party industry management and investment group, identified a business opportunity in northern Ontario, Canada, to purchase the assets of a previously operating hardwood plywood mill. The mill went into bankruptcy in May 2014 and the Company and the third party group worked to purchase the key mill equipment to enable operations to resume in a newly formed company, Rockshield Engineered Wood Products ULC (“REWP”). The Company currently owns approximately 34% of the outstanding share capital of REWP and accounts for its investment under the equity method.

REWP’s business is to produce aspen core hardwood plywood for domestic and international markets. The core blanks of the products are made with aspen logs from sustainably managed forests in Northern Ontario. The majority of the panels will be hardwood plywood to which REWP adds a hardwood veneer, such as oak, cherry, maple, birch, etc., as an overlay to produce ready-to-use panels.

Since its formation REWP management has diligently worked towards raising debt financing and equity capital, obtaining government assistance, securing log supply and start-up of the plywood mill. Operating permits were obtained in February 2015 and operations commenced in late April 2015. Operations at REWP have been inconsistent and have been hampered by ongoing log delivery and operational problems and limited capital. REWP management has been working through these issues and Company management is actively monitoring its progress.

As at November 30, 2017 the Company has made a capital investment of \$1,500,000 in the equity of REWP and made loans and advances totaling \$1,264,667. Due to the financial difficulties experienced by REWP the Company has recognized cumulative equity losses in its investment in REWP to reduce the net carrying value to \$nil and, effective November 30, 2017, the Company determined to record an impairment provision of \$1,675,425 for the advances and accrued interest to reduce the carrying amount to a nominal amount of \$1. As at November 30, 2017 the Company's unrecognized share of the loss of REWP was \$556,988.

Subsequent to November 30, 2017 REWP converted certain of the loans outstanding and the Company received Class A common shares of REWP for \$389,115 of loans and accrued interest outstanding. The Company's ownership interest in REWP was reduced to approximately 32%.

In February 2018 the Company advanced a further \$179,207 (representing its share of ownership) to REWP.

Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company. All comparative figures have been revised for the adoption of IFRS.

	Years ended November 30		
	2017 \$	2016 \$	2015 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(347,681)	(418,555)	(520,859)
Other items	2,132,511	866,226	(3,951,942)
Net income (loss)	1,784,830	447,671	(4,472,801)
Income (loss) per share - basic and diluted	0.04	0.01	(0.10)
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital	8,664,825	5,838,192	5,301,649
Total assets	8,762,143	6,857,734	6,453,400
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company.

Three Months Ended	Fiscal 2017				Fiscal 2016			
	Nov. 30, 2017 \$	Aug. 31, 2017 \$	May 31, 2017 \$	Feb. 28, 2017 \$	Nov. 30, 2016 \$	Aug. 31, 2016 \$	May 31, 2016 \$	Feb. 29, 2016 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(140,422)	(53,797)	(61,791)	(91,671)	(83,983)	(74,303)	(127,069)	(133,200)
Other items	815,821	1,023,468	(1,370,915)	3,295,779	1,526,459	167,222	(74,807)	(752,648)
Net (loss) income	(956,243)	969,671	(1,432,706)	3,204,108	1,442,476	92,919	(201,876)	(885,848)
(Loss) income per share - basic and diluted	(0.02)	0.02	(0.03)	0.07	0.03	0.00	(0.00)	(0.02)
Dividend per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet								
Working capital	8,664,825	8,329,542	7,285,512	8,939,350	5,838,192	4,315,289	4,090,177	4,365,577
Total assets	8,762,143	9,632,435	8,626,847	10,095,854	6,857,734	5,405,521	5,342,537	5,521,772
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended November 30, 2017 Compared to Three Months Ended November 30, 2016

During the three months ended November 30, 2017 (“Q4/2017”) the Company reported net loss of \$956,243 compared to a net income of \$1,442,476 for the three months ended November 30, 2016 (“Q4/2016”), a fluctuation of \$2,398,719. During Q4/2017 the Company recorded an equity loss and impairment provision in REWP of \$1,867,946 due to the financial difficulties experienced by REWP. Also, during Q4/2017 the Company recorded an unrealized gain on investments of \$200,144 compared to \$1,597,473 in Q4/2016 for a fluctuation difference of \$1,397,329. The fluctuation is offset by the realized gain on sale of investments in Q4/2017 of \$643,280.

Year Ended November 30, 2017 Compared to the Year Ended November 30, 2016

Operations

During fiscal 2017 the Company reported net income of \$1,784,830 compared to net income of \$447,671 for fiscal 2016, an increase of \$1,337,159. The fluctuation was primarily attributed to the sale of certain of the Company’s investments in fiscal 2017, realizing a gain of \$2,359,929, compared to fiscal 2016 when the Company realized a loss of \$201,866 on the sale of investments. In addition, during fiscal 2017 the Company recorded an unrealized gain of \$1,432,974 on investments held compared to an unrealized gain of \$1,103,219 on investments held during fiscal 2016. This increase was partially offset by the equity loss and impairment of \$1,867,946 in REWP in fiscal 2017 compared to an equity loss of \$210,776 in REWP during fiscal 2016. See “Investment in REWP”.

Expenses decreased by \$70,874, from \$418,555 during fiscal 2016 to \$347,681 during fiscal 2017. Specific expenses of note during fiscal 2017 are as follows:

- (i) \$220,128 (2016 - \$202,013) for officer and director compensation. Officer and director compensation amounts have been disclosed in “Related Party Disclosures”;
- (iii) \$35,836 (2016 - \$46,946) was incurred for accounting and administration of which \$33,950 (2016 - \$38,000) was incurred with Chase Management Ltd. (“Chase”), a private corporation owned by Mr. Nick DeMare, a director and the CFO of the Company for bookkeeping, accounting, administration and corporate filing services provided by Chase personnel, and \$1,886 (2016 - \$8,946) was incurred by third parties for additional tax and accounting services;
- (iv) the Company incurred \$21,545 (2016 - \$31,457) for general and administrative expenses, a decrease of \$9,912. During the fiscal 2016 the Company incurred \$31,457 for general and administrative expenses of which \$7,229 was attributed to office costs in Panama;
- (v) during fiscal 2016 the Company reimbursed Mr. Taggart, the Company’s former CEO, a total of \$4,756 for rent of office premises in Panama until February 2016. No reimbursements were made in fiscal 2017; and
- (vi) during fiscal 2016 the Company engaged an individual to provide corporate and investor maintenance activities, for which the person was initially paid \$16,000 as a consultant and subsequently paid \$22,000 as an employee. These services were discontinued effective April, 2016.

During fiscal 2017 the Company recorded a total of \$213,015 (2016 - \$176,368) interest and other income of which \$10,686 (2016 - \$26,464) was attributed to interest from demand deposits held and \$202,329 (2016 - \$121,904) was from interest accrued on the promissory notes issued by REWP. During fiscal 2016 the Company also earned \$28,000 accrued interest on certain investments.

Financing Activities

During fiscal 2017 the Company issued 385,000 common shares on the exercise of warrants for \$42,350.

No financing activities were conducted by the Company during fiscal 2016.

Investment Activities

During fiscal 2017 period the Company made investment purchases totalling \$3,903,979 (2016 - \$1,130,040) and sold certain of its investments for \$4,889,600 (2016 - \$233,544). See also “Investments”. Subsequent to November 30, 2017 the Company advanced a further \$179,207 to REWP. See “Investment in REWP”.

Financial Condition / Capital Resources

As at November 30, 2017 the Company had a cash balance of \$802,973. The Company also has investments carried at \$7,949,236 and reported working capital of \$8,664,825. Any investment decision made by the Company will be dependent on its cash, investment portfolio and working capital situation at the time. The Company anticipates that it has sufficient funds to manage its investments and make additional investments over the next twelve months as opportunities arise. In addition, any other opportunities completed by the Company may entail significant expenditures and, as a result, the Company may be required to obtain additional financing or sell its investments as required. However, the investments are comprised of common shares in early stage development and the share prices are often volatile and there may be limited liquidity.

On February 8, 2018 the Company completed a private placement financing of 2,472,999 units for gross proceeds of \$1,187,039. The Company paid a cash finder's fee of \$67,486 in connection with this offering. The net proceeds of the offering will be used by the Company to finance continuing investments and general corporate purposes.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

Pursuant to the terms of an arrangement agreement dated March 13, 2018 among the Company and Rockshield Acquisition Corp. ("AcquiCo) and Rockshield Opportunities Corp. ("OppCo"), private British Columbia companies incorporated on December 12, 2017 (the "Arrangement Agreement"), the Company will distribute the AcquiCo shares and OppCo shares, respectively, to the Company's shareholders. Each Rockshield shareholder will hold one Rockshield share and its pro-rata share of each of the AcquiCo shares and the OppCo shares, respectively to be distributed under the Arrangement for each Rockshield share currently held.

In order to effect the proposed spin-out and pursuant to the terms of asset purchase agreements to be entered into between the Company and AcquiCo (the "AcquiCo Asset Purchase Agreement") and between the Company and OppCo (the "OppCo Asset Purchase Agreement"), the Company will, prior to the effective time, transfer certain of its investments in the cannabis industry (the "AcquiCo Assets") to AcquiCo in exchange for 3,000,000 common shares in the capital of AcquiCo (the "AcquiCo Shares") and will transfer certain of its investments in the health sciences industry (the "OppCo Assets" and, together with the AcquiCo Assets, the "Assets") to OppCo in exchange for 3,000,000 common shares in the capital of OppCo (the "OppCo Shares"). The terms and conditions of the AcquiCo Asset Purchase Agreement and the OppCo Asset Purchase Agreement have not been finalized and the sale of the Assets (the "Asset Sale") will be subject to completion of the Arrangement. It is also anticipated that the Asset Sale will be subject to standard closing conditions, including requisite corporate and regulatory approvals, financing and due diligence. The Company has scheduled a special meeting of the shareholders of the Company for April 17, 2018. The Shareholders will be asked to approve, by special resolution, the Arrangement.

Following completion of the Arrangement, the Company will continue to carry on its primary business activities and will continue to diversify its investment portfolio. The Rockshield shares will continue to be listed on the CSE. Each Rockshield shareholder will continue to be a shareholder of the Company. Each Rockshield shareholder will receive one AcquiCo share, and one OppCo share, for every Rockshield share (multiplied by a conversion factor) to be distributed to such Rockshield shareholder under the Arrangement.

Following completion of the Arrangement, AcquiCo and OppCo will each apply to become a reporting issuer, and the AcquiCo shareholders and OppCo shareholders will include the holders of Rockshield shares on the Share Distribution Record Date. Rockshield shareholders will have all of Rockshield's interest in the AcquiCo Assets and OppCo Assets.

The notice of information circular, dated March 19, 2018, for the special meeting of the shareholders has been mailed and is available on the SEDAR website at www.sedar.com.

Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	November 30, 2017 \$	November 30, 2016 \$
Cash	FVTPL	802,973	701,987
Amounts receivable	Loans and receivables	2,190	6,989
Investments	FVTPL	7,949,236	5,141,954
Advances	Loans and receivables	1	806,933
Accounts payable and accrued liabilities	Other financial liabilities	(97,317)	(20,088)

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Fair Value

The fair values of the Company’s financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The following is an analysis of the Company’s financial assets measured at fair value as at November 30, 2017 and 2016:

	As at November 30, 2017		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	802,973	-	-
Investments	5,491,157	293,395	2,164,684
	<u>6,294,130</u>	<u>293,395</u>	<u>2,164,684</u>
	As at November 30, 2016		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	701,987	-	-
Investments	4,991,974	149,980	-
	<u>5,693,961</u>	<u>149,980</u>	<u>-</u>

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at November 30, 2017				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	802,973	-	-	-	802,973
Amounts receivable	2,190	-	-	-	2,190
Investments	7,949,236	-	-	-	7,949,236
Investment in and advances to associated company	-	-	1	-	1
Accounts payable and accrued liabilities	(97,317)	-	-	-	(97,317)

	Contractual Maturity Analysis at November 30, 2016				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	701,987	-	-	-	701,987
Amounts receivable	6,989	-	-	-	6,989
Investments	5,141,954	-	-	-	5,141,954
Investment in and advances to associated company	-	-	999,454	-	999,454
Accounts payable and accrued liabilities	(20,088)	-	-	-	(20,088)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash and demand deposits bear floating rates of interest. The interest rate risk on cash and subscription held in trust and on the Company's obligations are not considered significant.

(b) Equity Price Risk

The Company holds investments in publicly traded equity securities. Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

(c) Concentration Risk

As at November 30, 2017, \$6,397,907 of the Company's portfolio of investments were held in five companies. These investments represents approximately 80.5% of the Company's investment portfolio and poor performance in the market price of these investments could adversely affect the Company's results.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its investment activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future

development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new investment opportunities as they arise and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There have been no changes to the Company's approach to capital management during fiscal 2017. The Company is not subject to any externally imposed capital requirements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

(i) During fiscal 2017 and 2016 the following compensation amounts were incurred:

	2017 \$	2016 \$
Mr. Dave Doherty, President, CEO and Director ⁽¹⁾	119,128	47,427
Mr. Nick DeMare, CFO and Director	40,000	30,000
Mr. Frank Taggart, Director (and former President and CEO) ⁽¹⁾⁽²⁾	27,500	75,086
Mr. Marc Cernovitch, Director	25,000	30,000
Mr. Luke Norman, Director	8,500	19,500
	<u>220,128</u>	<u>202,013</u>

(1) On June 1, 2016 Mr. Doherty replaced Mr. Taggart as the President and CEO of the Company.

(2) On November 9, 2017 Mr. Taggart declined to be nominated as a Director at the Company's AGM. See also "Directors and Officers".

As at November 30, 2017, \$76,440 (2016 - \$7,000) remained unpaid.

- (ii) During fiscal 2017 the Company incurred a total of \$33,950 (2016 - \$38,000) by Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at November 30, 2017, \$8,300 (2016 - \$5,750) remained unpaid.
- (iii) During fiscal 2016 the Company was billed \$4,756 by Mr. Taggart for office rent in Panama. No office rent was provided during fiscal 2017.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 29, 2018 there were 45,912,855 issued and outstanding common shares.