

ROCKSHIELD CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED NOVEMBER 30, 2018

This discussion and analysis of financial position and results of operation is prepared as at March 26, 2019 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended November 30, 2018 and 2017, 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 "RKSCF" 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.

Since 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 investment opportunities as they arise and maximizing liquidity for its shareholders.

Spin-out Companies

Early in 2018 the Company considered its options to diversify its investment portfolio which was heavily focused on the cannabis and health services industries, while minimizing risk and appeal to a broader range of investors. On March 13, 2018 the Company entered into an arrangement agreement (the "Arrangement") with Rockshield Acquisition Corp. ("AcquiCo") and Rockshield Opportunities Corp. ("OppCo"), private British Columbia companies incorporated on December 12, 2017 as wholly-owned subsidiaries, whereby the Company would distribute the AcquiCo shares and OppCo shares, respectively, to the Company's shareholders. Each Rockshield shareholder would 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 held.

On April 17, 2018 the Company held a special meeting of the shareholders of the Company and the shareholders approved the Arrangement. Pursuant to the arrangement agreement the Company agreed to capitalize AcquiCo and with 130,000 common shares in Plus Products Holdings Inc. ("Plus Products") and OppCo with 13,000 common shares in Helius Medical Technologies Inc. ("Helius"). Additionally, on April 19, 2018, the Company obtained the final order of the Supreme Court of British Columbia approving the Arrangement. On June 6, 2018 the Company closed on the Arrangement Agreement and the Company capitalized each of AcquiCo and OppCo in return for common shares of each company and the Company spun out to its shareholders all of its shares in AcquiCo and OppCo.

On closing, the Company distributed on a pro rata basis, without cost as a return of capital, all of its 3,159,592 shares in OppCo and 1,800,001 post-consolidated shares in AcquiCo to the Company's shareholders. The Arrangement resulted in each of AcquiCo and OppCo being stand-alone corporations owned by the same shareholders that own the Company.

Investment Portfolio

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 2018 the Company made investment purchases totalling \$3,585,668 (2017 - \$3,903,979) and sold certain of its investment portfolio for proceeds totalling \$3,288,988 (2017 - \$4,889,600), recognizing a realized gain of \$1,625,219 (2017 - \$2,359,929). The Company also recognized a further gain of \$181,862 on the shares of Plus Products and Helius which were spun out under the Arrangement at a fair value of \$379,600. As at November 30, 2018 the carrying value of the investment portfolio was \$8,429,047 (2017 - \$7,949,236), with an accumulated unrealized holding gain of \$3,682,098 (2017 - \$3,755,315) from its cost basis of \$4,746,949 (2017 - \$4,193,921).

Investment in REWP

Prior to fiscal 2018 the Company held an ownership interest of 33.72% in REWP and had made substantial loans and advances. At that time the Company considered that it had significant influence of REWP and, accordingly, the investment had been accounted for under the equity method. During fiscal 2017 the Company had recognized cumulative equity losses to reduce its net carrying value in REWP to \$nil and impaired the loans, advances and accrued interest to a nominal amount of \$1.

In February 2018 the Company advanced a further \$179,207 to REWP. This amount was determined to be fully impaired. REWP has made further cash calls to its shareholders in which the Company declined to participate. The Company has been informed by REWP that its ownership has now been effectively diluted to 18.53%. The Company

anticipates that further significant dilution will continue as REWP obtains additional funding from its other existing shareholders and other investors. In addition, the Company no longer has effective board representation. Due to these factors, the Company considers that it no longer has significant influence of REWP and that the equity method is no longer appropriate.

Normal Course Issuer Bid

On October 22, 2018 the Company filed a normal course issuer bid (the “NCIB”) which authorizes the Company to repurchase for cancellation up to 4,693,610 common shares until October 22, 2019 or the date by which the Company has acquired the maximum number of common shares under the NCIB. During fiscal 2018 the Company repurchased a total of 705,000 common shares for \$86,318 cash consideration. The average cost of the common shares repurchased was \$0.55 per share. The difference between the purchase price and the carrying value of the common shares was \$298,162.

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		
	2018 \$	2017 \$	2016 \$
Operations:			
Revenues	Nil	Nil	Nil
Expenses	(711,264)	(347,681)	(418,555)
Other items	1,878,243	2,132,511	866,226
Net income (loss)	1,116,979	1,784,830	447,671
Income (loss) per share - basic and diluted	0.02	0.04	0.01
Dividends per share	Nil	Nil	Nil
Balance Sheet:			
Working capital	10,810,388	8,664,825	5,838,192
Total assets	10,818,902	8,762,143	6,857,734
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 2018				Fiscal 2017			
	Nov. 30, 2018 \$	Aug. 31, 2018 \$	May 31, 2018 \$	Feb. 28, 2018 \$	Nov. 30, 2017 \$	Aug. 31, 2017 \$	May 31, 2017 \$	Feb. 28, 2017 \$
Operations:								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(163,115)	(182,641)	(257,244)	(108,264)	(140,422)	(53,797)	(61,791)	(91,671)
Other items	413,319	(320,768)	1,342,699	392,993	815,821	1,023,468	(1,370,915)	3,295,779
Net income (loss)	250,204	(503,409)	1,085,455	284,729	(956,243)	969,671	(1,432,706)	3,204,108
Income (loss) per share - basic and diluted	0.00	(0.01)	0.02	0.01	(0.02)	0.02	(0.03)	0.07
Dividend per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet								
Working capital	10,810,388	10,542,534	11,320,433	10,106,088	8,664,825	8,329,542	7,285,512	8,939,350
Total assets	10,818,902	10,587,891	11,357,486	10,128,675	8,762,143	9,632,435	8,626,847	10,095,854
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Results of Operations

Three Months Ended November 30, 2018 Compared to Three Months Ended November 30, 2017

During the three months ended November 30, 2018 (“Q4/2018”) the Company reported net income of \$250,204 compared to a net loss of \$956,243 for the three months ended November 30, 2017 (“Q4/2017”), a fluctuation of \$1,206,447. The primary reasons for the fluctuation are:

- (i) during Q4/2017 the Company recorded an equity loss and impairment provision in REWP totalling \$1,867,946 to reduce the net carrying value of its investment in and advances to REWP to a nominal amount of \$1;
- (ii) during Q4/2018 the Company recorded unrealized loss on investments of \$1,035,226 compared to an unrealized gain of \$200,144 in Q4/2017 for a fluctuation of \$1,235,370;
- (iii) during Q4/2018 the recorded realized gain on sale of investments was \$1,186,119 compared to a realized gain of \$643,280 in Q4/2017, for a fluctuation of \$542,839; and
- (iv) during Q4/2018 the Company recorded other income of \$251,500 for accounting, management and administration services provided to AcquiCo and OppCo.

Year Ended November 30, 2018 Compared to the Year Ended November 30, 2017

During fiscal 2018 the Company reported net income of \$1,116,979 compared to net income of \$1,784,830 for fiscal 2017, a decrease in income of \$667,851. The fluctuation was primarily attributed to the following:

- (i) during fiscal 2017 the Company recorded an equity loss and impairment provision in REWP totalling \$1,867,946 to reduce the net carrying value of its investment in and advances to REWP to a nominal amount of \$1. A further impairment of \$179,207 was for the additional advance made to REWP in early fiscal 2018. See “Investment in REWP”;
- (ii) during fiscal 2018 the Company sold certain of its investments for proceeds of \$4,460,122 (2017 - \$4,889,600) recognizing a gain of \$1,625,219 (2017 - \$2,359,929). The Company also recorded an unrealized loss of \$73,216 (2017 - unrealized gain \$1,432,974) on investments held;
- (iii) during fiscal 2018 the Company recognized a gain of \$181,862 on the transfer of investments pursuant to the Arrangement; and
- (iv) during fiscal 2018 the Company recorded share-based compensation of \$375,884 on 1,500,000 deferred share units granted (“DSUs”). No DSUs were granted during fiscal 2017.

Expenses, not including share-based compensation, decreased by \$12,301, from \$347,681 during fiscal 2017 to \$335,380 during fiscal 2018. Significant differences during fiscal 2018 and 2017 include the following:

- (i) \$108,652 (2017 - \$220,128) for directors and officers compensation. Directors and officers compensation amounts have been disclosed in “Related Party Disclosures”;
- (ii) during fiscal 2018 the Company incurred \$24,273 (2017 - \$nil) for corporate development, in which the Company engaged various firms to provide corporate information on the Company;
- (iii) \$47,700 (2017 - \$35,836) was incurred for accounting and administration of which \$47,700 (2017 - \$33,950) was incurred with a private company owned by the CFO of the Company and \$nil (2017 - \$1,886) was incurred by third parties for additional accounting services. See also “Related Party Disclosures”;
- (iv) during fiscal 2018 the Company incurred \$2,910 (2017 - \$5,410) for website development and maintenance; and
- (v) during fiscal 2018 the Company incurred \$31,831 (2017 - \$6,397) for legal costs primarily associated with the Arrangement; and
- (vi) during fiscal 2018 the Company incurred transfer agent fees of \$14,289 (2017 - \$3,971) and shareholder costs of \$16,097 (2017 - \$2,608). These increases are due to services provided on the issuance of shares under the Arrangement Agreement.

During fiscal 2018 the Company recorded total interest income of \$21,705 (2017 - \$213,015) of which \$21,705 (2017 - \$10,686) was attributed to interest from demand deposits held and \$nil (2017 - \$202,329) was from interest accrued on the promissory notes issued by REWP. In addition during fiscal 2018 the Company earned other income \$251,500 for providing accounting, management and administration services to AcquiCo and OppCo.

Financing Activities

During fiscal 2018 the Company completed a non-brokered private placement of 2,472,999 units of the Company at \$0.48 per unit for gross proceeds of \$1,187,040. The funds have been used by the Company to fund ongoing investments and general corporate purposes.

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 the 2017 period.

Investment Activities

During fiscal 2018 the Company made investment purchases totalling \$3,585,668 (2017 - \$3,903,979) and sold certain of its investments for \$3,288,988 (2017 - \$4,889,600). See also "Investments". In addition the Company advanced a further \$179,207 to REWP, which was then impaired. See "Investment in REWP".

Financial Condition / Capital Resources

As at November 30, 2018 the Company had a cash balance of \$2,278,777. The Company also has investments carried at \$8,429,047 and reported working capital of \$10,810,388. 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

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, 2018 \$	November 30, 2017 \$
Cash	FVTPL	2,278,777	802,973
Amounts receivable	Loans and receivables	97,410	2,190
Investments	FVTPL	8,429,047	7,949,236
Investment and advances to REWP	Loans and receivables	1	1
Accounts payable and accrued liabilities	Other financial liabilities	(8,513)	(97,317)

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, 2018 and 2017:

	<u>As at November 30, 2018</u>		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	2,278,777	-	-
Investments	<u>8,240,341</u>	<u>121,206</u>	<u>67,500</u>
	<u>10,519,118</u>	<u>121,206</u>	<u>67,500</u>
	<u>As at November 30, 2017</u>		
	Level 1 \$	Level 2 \$	Level 3 \$
Cash	802,973	-	-
Investments	<u>5,491,157</u>	<u>293,395</u>	<u>2,164,684</u>
	<u>6,294,130</u>	<u>293,395</u>	<u>2,164,684</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.

	<u>Contractual Maturity Analysis at November 30, 2018</u>				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	2,278,777	-	-	-	2,278,777
Amounts receivable	97,410	-	-	-	97,410
Investments	8,429,047	-	-	-	8,429,047
Investment in and advances to associated company	-	-	1	-	1
Accounts payable and accrued liabilities	(8,513)	-	-	-	(8,513)

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)

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 on the Company's obligations is 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, 2018, \$7,324,763 of the Company's portfolio of investments were held in three companies. These investments represent approximately 87% 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 2018. 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

(a) 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 2018 and 2017 the following compensation amounts were incurred:

	2018 \$	2017 \$
Mr. Dave Doherty, President, CEO and Director ⁽¹⁾	54,652	119,128
Mr. Nick DeMare, CFO and Director	30,000	40,000
Mr. Daniel Sorger, Director ⁽²⁾	24,000	-
Mr. Frank Taggart, former Director, President and CEO ⁽¹⁾⁽³⁾	-	27,500
Mr. Marc Cernovitch, Director	-	25,000
Mr. Luke Norman, Director	-	8,500
Share-based compensation - Mr. Dave Doherty	125,295	-
Share-based compensation - Mr. Nick DeMare	12,531	-
Share-based compensation - Mr. Daniel Sorger	75,176	-
Share-based compensation - Mr. Marc Cernovitch	62,647	-
Share-based compensation - Mr. Luke Norman,	37,588	-
	<u>421,889</u>	<u>220,128</u>

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

(2) Mr. Sorger was appointed a director on December 11, 2017.

(3) On November 9, 2017 Mr. Taggart declined to be nominated as a Director at the Company's AGM.

As at November 30, 2018 \$nil (2017 - \$76,440) remained unpaid.

- (ii) During fiscal the 2018 period the Company incurred a total of \$47,700 (2017 - \$23,550) 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, 2018, \$1,200 (November 30, 2017 - \$8,300) remained unpaid.

During fiscal 2018 the Company also recorded \$62,647 for share-based compensation for DSUs granted to Chase.

- (b) AcquiCo and OppCo (see "Spin-Out Companies") have two directors in common, David Doherty and Nick DeMare. During fiscal 2018 the Company:
- (i) invoiced AcquiCo and OppCo a total of \$251,500 for accounting, management and administration services provided. As at November 30, 2018, \$86,500 remained unpaid and has been included in amounts receivable.
- (ii) the Company also repurchased the 130,000 shares of Plus Products from AcquiCo for \$422,500 cash.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 26, 2019 there were 47,680,854 (net of 705,000 common shares of the Company acquired under the NCIB and held for cancellation) issued and outstanding common shares and 1,236,499 warrants outstanding at an exercise price of \$0.80 per share. In addition the Company has 1,500,000 DSUs outstanding which will vest one-third on January 5, 2019, one-third on January 5, 2020 and the remaining one-third on January 5, 2021. On January 5, 2019, 500,000 DSUs vested and are issuable to the grantee upon departure from the Company.