

RICHCO INVESTORS INC.
Form 51-102F1
Management's Discussion & Analysis
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

The following management's discussion and analysis of the financial position and results of operations (the "MD&A") dated November 26, 2019 has been prepared by management and are based on and derived from the unaudited interim condensed financial statements of Richco Investors Inc. (the "Company") for the period ended September 30, 2019.

This discussion should be read in conjunction with the unaudited interim condensed financial statements for the period ended September 30, 2019.

The unaudited interim condensed financial statements were presented in Canadian dollars, which is both the functional and presentation currency of the Company. Figures referred to in this discussion are in Canadian dollars, unless otherwise stated.

The Company's principal business is to provide financial, management and other administrative services to early development stage business. The principal objective of the Company is long-term wealth creation through creating or helping businesses to fulfill their potential through strategic planning, capital infusion and corporate restructuring. The Company may invest extensively in emerging growth companies which are in the development stage or in companies which primarily hold investments in such companies. Certain investments are in companies which have not yet established commercial viability for their business activities and have not yet earned significant revenue; therefore, the quoted market values of their shares are not necessarily indicative of the fair value of these investments and the recoverability of invested amounts is dependent upon the eventual commercial success of these entities. The Company is accordingly at risk for any large fluctuation in stock prices and performance of these public companies. The Company keeps close contacts with the management of these companies to assess their performance.

Certain statements in this MD&A, other than statements of historical fact, constitute "forward-looking information" within the meaning of Canadian securities legislation. "Forward-looking information" includes, but is not limited to, statements with respect to acquisition or reverse acquisition of a viable project, as well as the Company's future plans, objectives, business strategy, budgets, projected costs, financial results, and requirements for additional capital. In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "contemplates", "budget", "possible", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, among others: adverse economic conditions, political and regulatory concerns and key individual staffing problems amongst others. Other risks and uncertainties are discussed throughout this MD&A and, in particular, in the section below entitled "Risks and Uncertainties".

In making the statements in this MD&A containing forward-looking information, the Company has applied several material assumptions, including but not limited to, assumptions regarding the ability of the Company to obtain, on reasonable terms, the necessary financing to complete the acquisition or reverse acquisition of a viable project, as well as the future profitable operations of the project.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Performance Summary

As at September 30, 2019, the Company had total assets of \$86,972. This amount is comprised of current assets totaling \$86,607 and equipment totaling \$365. Current assets are comprised of cash of \$84,137, GST receivable of \$1,220 and prepaid expenses of \$1,250. As at September 30, 2019, the Company had current liabilities of \$41,721 and long-term liabilities of \$240,229. The Company's deficit increased from \$9,673,276 as at December 31, 2018 to \$9,692,223 at September 30, 2019.

Changes in Accounting Policies Including Initial Adoption

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2018.

The Company adopted the following new standards during the period:

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Corporation adopted IFRS 16, which replaces IAS 17, Leases (IAS 17) and related interpretations. The standard prescribes new guidance for identifying a lease as well as the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires a lessee to recognize a right-of-use asset representing its right to use the leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. The distinction between operating and financing leases no longer applies, however an optional exemption exists for short-term and low-value leases.

Accounting policy

At inception of a contract, the Group assesses whether a contract is or contains a lease. The Company and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method and is included within owner-occupied properties and capital assets. Depreciation expense on right-of-use assets is included within general and administrative expenses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within finance costs.

The Group does not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within general and administrative expenses.

Impact of transition to IFRS 16

The Group has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 remains as previously reported under IAS 17 and related interpretations.

Adoption of the new standard did not have an impact on the financial statements as the Company currently does not have any lease arrangement.

Future Accounting Changes

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (“IASB”) and analyzes the effect that changes in the standards may have on the consolidated financial statements when they become effective. There have been no significant changes to future accounting policies that could impact the Company from what was disclosed in the December 31, 2018 annual financial statements.

Selected Annual Information

The selected annual information can be summarized as follows:

	2018	2017	2016
	(\$)	(\$)	(\$)
Total revenue	-	-	-
Net loss	(25,858)	(26,103)	(27,890)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)
Total assets	8,708	7,059	7,210
Total long-term financial liabilities	227,972	198,259	168,624
Cash dividend	-	-	-

Fluctuation analysis

The decrease in net loss for 2018 as compared with 2017 was mainly due to the decrease of \$2,072 in office and miscellaneous, including office expense, printing and mailing.

The decrease in net loss for 2017 as compared with 2016 was mainly due to the decrease of \$3,052 in transfer agent and filing fees.

Results of Operations

Three months ended September 30, 2019

During the three months ended September 30, 2019 and 2018, revenue was \$nil and \$nil with operating expenses of \$5,383 and \$5,478, respectively. The net loss for the quarter ended September 30, 2019 was \$5,738 as compared to \$5,499 for the same period in 2018.

Nine months ended September 30, 2019

During the nine months ended September 30, 2019 and 2018, revenue was \$nil and \$nil with operating expenses of \$18,657 and \$17,726, respectively. The net loss for the period ended September 30, 2019 was \$18,947 as compared to \$19,058 for the same period in 2018.

Summary of Quarterly Results

	For the Quarters Ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Total assets	\$ 86,972	\$ 9,207	\$ 8,699	\$ 8,708
Revenue	-	-	-	-
Net loss	(5,738)	(6,212)	(6,997)	(6,800)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

	For the Quarters Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 7,589	\$ 7,470	\$ 6,904	\$ 7,059
Revenue	-	-	-	-
Net loss	(5,499)	(6,772)	(6,787)	(8,057)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

For the quarter ended September 30, 2019, total assets increased due to the increase in cash. The increase in cash was mainly due to the Company received unit subscription of \$83,000 under the Private Placement during the current quarter. The net loss of \$5,738 was mainly comprised of legal and accounting fees of \$3,621, and the transfer agent and filing fees of \$1,959.

For the quarter ended June 30, 2019, total assets increased was mainly due to the increase in GST receivable. The net loss of \$6,212 was mainly comprised of legal and accounting fees of \$3,901, and the transfer agent and filing fees of \$2,222.

For the quarter ended March 31, 2019, total assets decreased due to the decrease in cash. The decrease in cash was mainly due to making payments required to maintain the listing status of the Company. The net loss of \$6,997 was mainly comprised of legal and accounting fees of \$3,196, and the transfer agent and filing fees of \$2,055.

For the quarter ended December 31, 2018, total assets increased mainly due to the increase in prepaid expenses. The net loss of \$6,800 was mainly comprised of legal and accounting fees of \$3,051, transfer agent and filing fees of \$2,267.

For the quarter ended September 30, 2018, total assets increased mainly due to the increase in GST receivable. The net loss of \$5,499 was mainly comprised of legal and accounting fees of \$4,116, and the transfer agent and filing fees of \$1,701.

For the quarter ended June 30, 2018, total assets increased mainly due to the increase in GST receivable. The net loss of \$6,772 was mainly comprised of legal and accounting fees of \$3,758, and the transfer agent and filing fees of \$2,210.

For the quarter ended March 31, 2018, total assets decreased mainly due to the decrease in cash for making payments required to maintain the listing status of the Company. The net loss of \$6,787 was mainly comprised of legal and accounting fees of \$3,698, and the transfer agent and filing fees of \$2,220.

For the quarter ended December 31, 2017, total assets decreased due to the decrease in both GST receivable and prepaid expense. The net loss of \$8,057 was mainly comprised of legal and accounting fees of \$3,733, and the transfer agent and filing fees of \$1,860.

Liquidity

As at September 30, 2019, the Company had a working capital of \$44,886 made up of current assets of \$86,607 minus current liabilities of \$41,721 as compared with the working capital deficiency of \$31,492 at December 31, 2018. The increase in working capital was mainly due to the increase in cash. The book value of the Company's assets is \$86,972 against total liabilities of \$281,950. The Company registered a net loss of \$0.00 per share for the period ended September 30, 2019 compared to \$0.00 per share for the comparable period of previous year.

	September 30, 2019	December 31, 2018
Working capital (deficiency)	\$ 44,886	\$ (31,492)

Net cash used in operating activities for the period ended September 30, 2019 was \$15,537 as compared to \$22,707 for the same period of last year. The change was mainly due to the decrease in prepaid expense and increase in trade and other payables for the current period.

Net cash provided by financing activities for the period ended September 30, 2019 was \$95,257 as compared to \$21,363 for the same period of last year. The change was mainly due to \$83,000 received for the Unit subscription under the Private Placement during the current period.

Working capital increased by \$76,378 to \$44,886 at September 30, 2019 as compared to working capital deficiency of \$31,492 at the end of December 31, 2018, primarily as a result of the increase in cash during the current period.

Capital Resources

The Company has arranged a non-brokered private placement (the 'Private Placement') of up to 16,000,000 units (the 'Units') of the Company at a price of \$0.05 per unit. Each unit will include one subordinate voting ("SV") share of the Company at a price of \$0.05 and one SV share warrant (a 'Warrant'). Each Warrant will be exercisable into one SV share at an exercise price of \$0.15 for a period one year from the date such warrant is issued. The expiry date shall be accelerated to the close of business on the 30th day after the day on which the closing price of the Company's shares exceeds \$0.20 for a period of 20 consecutive trading days.

As of November 26, 2019, the Company has totally received \$214,420 for subscription of 4,288,400 Units under the Private Placement.

The Company does not have any commitments for capital expenditure.

There are no outstanding stock options as of September 30, 2019.

Related Parties

All related party transactions were recorded at the exchange amounts as agreed upon by the related parties.

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

During the period ended September 30, 2019, Chris Tsakok, CEO of the Company, lent \$12,257 to the Company, unsecured, non-interest bearing, repayable on March 27, 2021.

During the year ended December 31, 2018, Chris Tsakok, CEO of the Company, lent \$29,713 to the Company, unsecured, non-interest bearing, repayable on March 27, 2021.

	September 30, 2019	December 31, 2018
Due to CEO of the Company, non-interest bearing, unsecured, repayable on March 27, 2021	\$ 192,199	\$ 179,942
Due to a director of the Company, non-interest bearing, unsecured, repayable on March 27, 2021	48,030	48,030
Due to related parties - long-term portion	\$ 240,229	\$ 227,972

Other Related Party Transactions

At September 30, 2019, the Company has made and received advances from several companies in which it has an ownership interest or directors in common, the balances and terms were:

	September 30, 2019	December 31, 2018
Due to a company with common director and officer, repayable on demand, non-interest bearing, unsecured.	\$ 3,823	\$ 3,823
Unsecured loan from Drucker, Inc. US \$10,315 including accrued interest due on 30 days formal notice, interest payable at US prime + 1%. Interest accrued for the period ended September 30, 2019 was US \$486. Current account with Drucker, Inc. was \$23,336, which is non-interest bearing and payable on demand.		
Less: loan to Drucker, Inc. \$11,500, including accrued interest, payable on demand, interest payable at CIBC prime on date of loan, April 15, 2009, at 2% over prime rate. Interest accrued for the period ended September 30, 2019 was \$387. Accounts receivable from Drucker, Inc. was \$8,154, which is non-interest bearing and due on demand.	11,760	11,896
Due to related parties - current portion grouped under trade and other payable	\$ 15,583	\$ 15,719

Some amounts due to and from related parties do not bear interest, are unsecured, and have no fixed payment term; accordingly, the fair value cannot be readily determined. In regards to Drucker Inc., any loans made by one party to the other can be offset against loans made by the other party on a reciprocal basis.

Financial Instruments

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, trade and other payables and due to related parties.

Cash, trade and other payables and due to related parties are measured at amortized cost.

At September 30, 2019, the carrying and fair value amounts of the Company's financial instruments related to cash and trade and other payable are the same due to their short terms to maturity.

The Company's risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Management believes that the maximum credit exposure at September 30, 2019 is cash in the bank of \$84,137 (December 31, 2018: \$4,417) and the credit risk concentration with respect to cash is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to

support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure that there is sufficient working capital to fund its ongoing operating expenditures. At September 30, 2019, the Company had a working capital of \$44,886 (December 31, 2018: working capital deficiency of \$31,492). The Company will require having equity or debt financing to meet its financial obligations.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity prices, and exposure of long-term investments.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has cash balances which is non- interest bearing. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

(iii) Price risk

The Company is exposed to risk of changing equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company keeps close contact with the management of these companies to assess their performance and also monitors the movements of their stock prices to determine the appropriate course of action to be taken by the Company.

(d) Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Outstanding Shares Data

Capitalization as of November 26, 2019: \$9,414,245:

Authorized

- a) An unlimited number of shares of a class designated as multiple voting shares.
- b) An unlimited number of shares of a class designated as subordinate voting shares.
- c) An unlimited number of shares of a class designated as preference shares in one or more series.

Issued and outstanding

	Number of shares	Amount
a) Multiple voting shares November 26, 2019	5,310,191	\$ 4,187,122
b) Subordinate voting shares November 26, 2019	<u>8,910,192</u>	<u>5,227,123</u>
	<u><u>14,220,383</u></u>	<u><u>\$ 9,414,245</u></u>