TIMIA CAPITAL CORP.
MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis (MD&A) for the three months ended May 31, 2020 (second quarter of fiscal 2020) provides detailed information on the operating activities, performance and financial position of TIMIA Capital Corp. "TIMIA", the "Company", "we", "us" or "our" refer to TIMIA Capital Corp. and its consolidated entities. This analysis of the operating results and financial position of the Company should be read in conjunction with the May 31, 2020 consolidated condensed interim Financial Statements and related Notes (the "Financial Statements"), which have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS"). All monetary amounts are expressed in Canadian dollars unless otherwise indicated. This discussion and analysis may contain forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. Additional information relating to TIMIA Capital Corp. is available on SEDAR at www.sedar.com.

TIMIA Capital Corp. was incorporated under the Business Corporations Act of British Columbia on October 26, 2007 under the name Angelwest Capital Corp. The Company changed its name to GreenAngel Energy Corp. on October 27, 2009 and then to TIMIA Capital Corp. on September 23, 2015 and is listed on the TSX Venture Exchange (the "TSX-V") trading under the symbol "TCA".

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements", collectively "forward looking statements". All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

BUSINESS OVERVIEW

TIMIA is a finance company that focuses on providing debt financing and support to private technology businesses in North America (individually, an "Investee" and collectively the "Investees" or "Portfolio"). TIMIA is building a technology platform utilizing financial technology that aims to originate, underwrite and manage debt investments to high growth software companies that generally have challenges raising cost-effective capital. The company earns interest revenue from its Revenue Financing (RF) either in the form of i) variable monthly payments structured as a percentage of applicable revenue (subject to a minimum), or ii) a fixed schedule of monthly payments. Other sources of revenue include transaction or commitment fees from due diligence and similar services. Specific investee financings are contracted for various expected durations typically between 3 and 5 years. Payments are received monthly and each investment's value is assessed for impairment at each reporting date based on the performance of the Investee's gross revenue and other financial performance measures.

The capital for all of TIMIA's investments comes from private investments through a Limited Partnership fund, co-investor syndication, common share and debenture issuances.

Structure and basis of consolidation

Our capital sourcing strategy has evolved from raising capital directly in the form of debt and equity, to raising capital in the form of limited partnerships and lender finance arrangements. Management expects to continue to use this format for raising capital to increase profitability to shareholders as well as improve our ability to scale with growth. To date the following partnerships have been established:

- On March 6, 2019, the Company established its first Limited Partnership (LP I);
- On November 28, 2019 the Company established TIMIA Capital Holdings Limited Partnership for purposes of facilitating a lender finance arrangement to help fund growth in a warehouse format for future limited partnerships;
- Subsequent to our second quarter, on July 15, 2020, the Company established its third Limited Partnership (LP II)

TIMIA Capital GP Inc. and TIMIA Capital II GP Inc. (wholly owned subsidiaries of the Company) acts on behalf of the general partners for LP 1 and LP II (together the limited partnerships) and owns 13.03% and 7%, respectively, while TIMIA Capital Holdings is 100% owned. All the benefits and rewards of ownership of the limited partnership flow to the limited partners; the external parties that funded the limited partnership. The Company earns a management fee for managing the business activities of the limited partnerships. In addition, this capital is non-dilutive to the common shareholders of TIMIA Capital Corp. while providing the common shareholders with a share of the profit (loss) of the limited partnership. Management believes value for common shareholders is best created by growing capital under management through limited partnerships as it provides income while providing non-dilutive capital.

The financial results of the Company as at and for the three and six months ended May 31, 2020 discussed in this MD&A include results of operations of TIMIA Capital Corp., TIMIA Capital Residual Partner Inc., TIMIA Capital GP Inc., TIMIA Capital II GP Inc., LP I and TIMIA Capital Holdings Limited Partnership.

OVERALL ANALYSIS OF QUARTERLY PERFORMANCE

TIMIA continues to build the value and size of its portfolio by expanding the number of companies in its loan portfolio, making follow-on investments in existing portfolio companies and actively assisting in the growth plans of the companies in their portfolio.

FINANCIAL HIGHLIGHTS

For the six months ended May 31, 2020, the Company had the following highlights:

- Interest income from investments increased 52% to $1,809,494 compared to $1,190,590 in the same period last year;
- Total revenue increased 36% to $1,915,374 from $1,405,601 in the same period last year;
- Total assets grew 18% to $31,894,045 from $27,107,384 in the year ended November 30, 2019;
- Net income was $922,755 compared to net loss of $745,838 for the same period last year, the improvement of $1,669,593 was due to growth in size of the portfolio and relative increase in revenue and $516,009 gain on investments resulting from two successful exits of its loan portfolio investments as compared to $Nil in the same period last year;
- Loan portfolio increased by 18% in the last six months from $21,147,512 to $25,055,059, inclusive of two loan buyouts being replaced by four new investments and four follow-on investments;
- Completed the issuance of $3,070,000 of Class A units in the Limited Partnership in the period;
- Disbursed $4,749,814 in new investments and $1,272,500 in follow-on investments to existing investees.

For the three months ended May 31, 2020, the Company had the following highlights:

- Interest income from investments increased 28 % to $869,793 compared to $680,260 in the same period last year;
- Total revenue increased 7% to $891,186 from $835,038 in the same period last year;
- Net income was $478,611 compared to net loss of $490,358 for the same period last year; the improvement of $968,969 was due to growth in size of the portfolio and relative increase in revenue;
- Loan portfolio increased by over 16% in the last three months from $21,644,460 to $25,055,059; and
- Disbursed $2,277,500 in new investments and $872,500 in follow-on investments.

PORTFOLIO RETURNS AND STATISTICS

Since August 2015 TIMIA has pursued a new business model focused on providing non-dilutive debt facilities to SaaS companies. Over this time period, the Company has achieved the following:

- Completed 28 loan financings totaling $63 million in facility size;
- The portfolio has had 8 exits since that time and has a current portfolio of 20 investees;
- Achieved a gross IRR on the portfolio to date of 24%;
- Experienced no write down of capital on any loan in the portfolio.

REVENUE

Interest income in the three and six months were $869,793 and $1,809,494, respectively, compared to $680,260 and $1,190,590 in the three and six months ended May 31, 2019, a 28% and 52% increase respectively. During the six months ended May 31, 2020, the Company continued to expand its loan portfolio by completing four new loan transactions, disbursing growth capital of US$2,250,000 to two American companies, CAD$1,750,000 to two Canadian companies and four follow-on investments of CAD$525,000 to two Canadian companies and US$550,000 to two American companies.

The Company's revenue is primarily interest income generated under the Company's RF model. As the Company makes new investments, the number of monthly payments derived from the portfolio grows. Total revenue includes changes in amortized cost of loan values included in the Portfolio. This quarter recognized revenue was reduced by $234,000 as a result of reductions in amortized cost due to changing economic factors.

Approximately 31% of TIMIA's Revenue Finance loans are structured such that the timing of future monthly cash payments, but not the total amount repayable, are impacted by the underlying revenue growth rate of the borrower. In this group of Revenue Finance loans, management must estimate the expected rate of return for each loan on a quarterly basis, based upon the expected period of repayment as well as other terms such as minimum monthly payments, maximum term, and other terms provided in the underlying loan agreement. This is not a reduction in monthly payments, but rather a change in the estimate of period of repayment, and resulting rate of return for this basket of loans, based on recent economic developments. The change in estimate and reduction in revenue recognized this quarter was driven by two investee companies which were impacted by economic changes and COVID related impact on their business, resulting in reduced future growth and extended repayment periods. Management has reviewed the growth plans of the other Investee companies in this group of loans, in conjunction with the underlying loan agreements, and has estimated that no changes are required to the term of repayment for those loans.

Income from transaction and other fees was $21,393 in the three months ended May 31, 2020 compared to $154,778 for the three months ended May 31, 2019. Income from transaction and other fees was $105,880 in the six months ended May 31, 2020 compared to $215,011 in the six months ended May 31, 2019. Due to the timing of COVID-19, the Company decided to pause on origination and disbursement of funds until a reassessment of capital needed by the existing portfolio was performed. The decrease in transaction revenue is a direct result of this pause in activity in relation to the comparative period. Since quarter end, this temporary pause has been lifted and management expects transaction fee revenue to be more in line with previous experience going forward.

Total revenue for the three months ended May 31, 2020 increased 7% to $891,186 compared to $835,038 for the three months ended May 31, 2019. Total revenue for the six months ended May 31, 2020 increased 36% to $1,915,374 compared to $1,405,601 for the six months ended May 31, 2019. Chart 1 shows the increase in revenue since Q3 2015.

EXPENSES

During the six months ended May 31, 2020, the Company invested into the growth of its business:

Operational Expense

- Administrative, management and directors' wages and fees increased $149,988 from $462,478 to $612,466. Of this increase, approximately $37,300 relates to salary increases and changes in headcount, while $59,800 relates to one-time compensation payments made to a retiring officer of the company. The remaining $52,900 of increase can be attributed to various items, including new service provider fees in the current period related to monthly reporting and increase in director fees;
- Office, travel, systems, and miscellaneous increased $73,761 from $140,854 to $214,615 due to additional IT systems and support costs as well as increased volume of due diligence work performed;
- Accounting and legal increased from $100,787 to $135,254 as a result of TIMIA I LP audit fees which were new in the current year amount as well a legal fees associated with corporate matters;
- IR, communications and regulatory fees decreased $99,354 from $245,341 to $145,987. The higher cost in the comparative period in this area was a result of increased external investor relations services for fund raising performed in prior year.

Finance and Expected Credit Loss (ECL) Expense

- Interest expense was $691,289 of the total expense amount of $2,096,448 for the period, an increase of $25,921 over the same period last year. The increase in interest expense is mainly due to interest in revolving credit facilities incurred during the current period and which was not present in the comparable period last year.
- The ECL expense this period is $38,105 and the loan loss accrued is $486,630 as at May 31, 2020. The increase in expected credit loss expense is a result of increase in loans receivable from year-end offset by ECL recoveries due to net movement of investments from stage 2 to stage 1.

ATTRIBUTION OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Transactions between the LP I and the Company, including management and administration fees such as carried interest, are fully eliminated on consolidation. The resulting impact is an allocation of income (loss) between shareholders of the Company and the non-controlling interest. The Net Income (Loss) and Comprehensive Income (Loss) for the six months ended was allocated as follows**:**

- Net income attributable to non-controlling interests of $1,329,566 representing income from investments held by the Limited Partnership, less allowable costs as defined under the Limited Partnership Agreement, including fees to the manager and expected credit losses. In the current period, LP I recognized a carried interest expense of $495,078 (2019: $Nil).
- Net loss of $406,811 was allocated to the common share equity holders representing income (loss) from investments held by all entities other than the Limited Partnership, all transaction fee income, fees and carry earned from the Limited Partnership and all expenses not incurred by the Limited Partnership as well as the Company's proportionate interest in LP I.

When the LP I's cumulative returns indicate that carried interest is earned by the Company (through its wholly owned subsidiary TIMIA Capital Residual Partner Inc.), the LP I recognizes a financial liability and corresponding expense.

INTEREST PAYMENTS TO CO-INVESTORS

The Company has syndicated a portion of its loan portfolio to external investors in exchange for cash payments. The consolidated condensed interim financial statements of the Company at May 31, 2020 include a $2,201,021 co-investment obligation liability and an interest payment to co-investors expense related to this co-investor program.

Interest payments to co-investors recovered during the three months ended May 31, 2020 were $64,290 as compared to expense of $87,383 during the three months ended May 31, 2019. Interest payments to co-investors expensed during the six months ended May 31, 2020 was $28,880 compared with $179,427 in the same period of prior year. The interest payments to co-investors expensed represents management's estimate of the expense portion of the total payments paid to co-investors during the period.

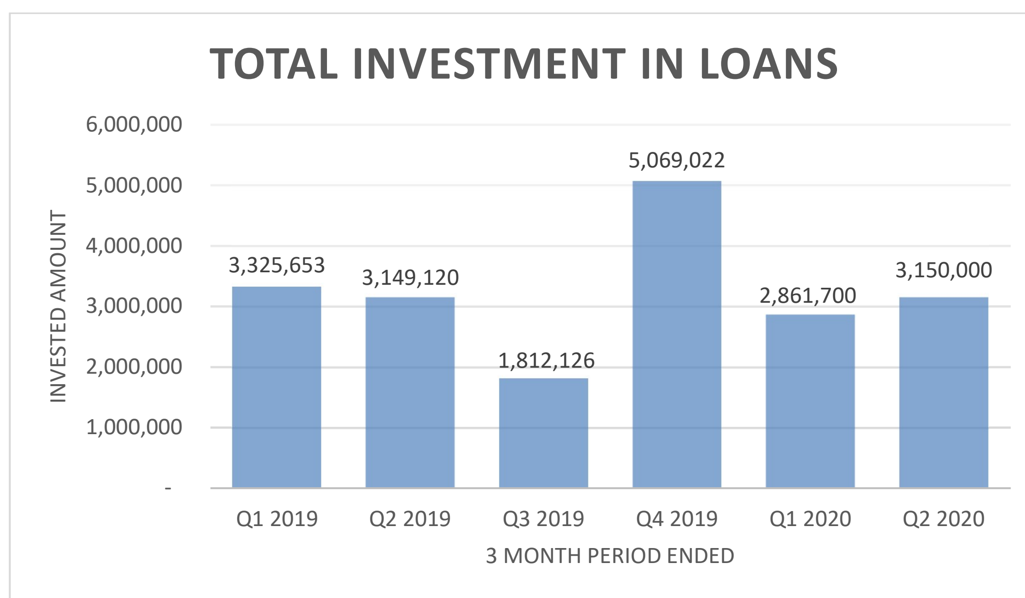
BALANCE SHEET

LOANS RECEIVABLE

TIMIA's current portfolio has 20 unique deals with an aggregate facility size of $48 million and $25,541,689 in disbursements extended under those facilities. The Company completed four new loan investments for the six months ended May 31, 2020 for a total investment of $4,749,814 (2019: $6,474,773, five new loan investments) and completed follow-on investments of $1,272,500 (2019: $Nil). In addition, two loans investments were exited for gross proceeds of $2,437,090. The following table shows the movement in the loan receivable balance, excluding expected credit loss provisions for the six-month period ended:

		May 31, 2020		**May 31, 2019**
Opening balance	$	21,596,037	$	9,680,390
Advances on loans receivable		6,022,314		6,474,773
Net: interest revenue and principal payments		(136,230)		107,967
Settlement of investments		(2,437,090)		-
Foreign exchange		496,658		52,397
Closing balance	$	25,541,689	$	16,315,527

The following chart shows gross investments made to date based on cash disbursed:



The Company continues to evaluate new investment opportunities and has capital ready to deploy to new and follow-on investments. Management evaluates these investments in terms of their current revenue, future expected revenue growth, gross margins, earnings, cash flow, market position, and management quality. Furthermore, every month TIMIA monitors each investment in its portfolio in terms of its growth against plan and financial performance on various key financial metrics.

In addition, during the six months ended May 31, 2020 two investments were exited. As with TIMIA's recent portfolio exits, management expects continued loan buyouts from a portion of the remaining underlying investee companies in accordance with its financing agreements at predetermined exit values.

TIMIA also manages two equity investments obtained through its prior business model as GreenAngel Energy Corp. The Company is actively managing its equity these equity positions to optimize returns to shareholders however it is no longer making new equity investments or follow-on investments in the existing portfolio. From time to time, TIMIA may acquire new equity holdings as a function of its lending activity.

NON-CONTROLLING INTEREST

On March 11, 2019, eight financing facility agreements were transferred at fair value for $8,230,132 from the Company's existing portfolio to the TIMIA Capital I Limited Partnership fund. Consideration for this transaction was $5,830,132 in cash and $2,400,000 in Class B partnership units held by the TIMIA Residual Partner Inc. Limited Partners including TIMIA receive monthly distributions of a pro rata portion of monthly payments from the loan investments in the LP I. As the Manager of the fund, the Company receives a 1.5% Management fee on Committed Capital of $10,500,000 for the first six years and 0.75% thereafter as well as a monthly operating expense fee. In addition, the LP I reimburses TIMIA for certain expenses incurred on its behalf.

On September 18, 2019, the Company received limited partner approval to expand its LP from a limit of $12,000,000 to a limit of $20,000,000. In July 2019, an additional $700,000, $4,150,000 in September 2019, $1,320,000 in December 2019 and $1,750,000 in January 2020 Class A units were completed, bringing the LP's capital position to $18,420,000 out of a possible $20,000,000.

The equity value of the LP I is recorded as a non-controlling interest on the Company's consolidated condensed interim statements of financial position. As at May 31, 2020, the non-controlling interest is $14,516,356. The non-controlling

interests of $1,186,566 under Net Income (Loss) and Comprehensive Income on the consolidated condensed interim statements of net income (loss) and comprehensive income (loss) represents the portion of the Net Income (Loss) attributable to the LP I activity for the six months ended May 31, 2020.

SUMMARY OF QUARTERLY RESULTS

	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018
Revenue	$891,186	$1,024,188	$998,431	$884,231	$835,038	$570,563	$501,129	$399,991
Consolidated Net income (loss)	$478,611	$444,144	($287,071)	($54,658)	($490,358)	($255,480)	($420,418)	($413,221)
Net income (loss) attributable to shareholders of the Company	(269,127) [1]	(137,684)	(452,992)	(189,781)	(645,627)	(255,480)	(420,418)	(413,221)
Net income attributable to Non-controlling interests	747,738	581,828	165,921	135,123	155,269	n/a	n/a	n/a
Basic and diluted loss per share	($0.01)	($0.00)	($0.01)	($0.00)	($0.02)	($0.01)	($0.01)	($0.01)
Total assets	$31,894,045	$29,995,311	$27,107,384	$22,300,299	$22,332,091	$14,617,521	$14,254,460	$13,108,902
Total liabilities	$14,744,095	$12,996,351	$12,809,235	$12,060,304	$11,486,282	$11,246,188	$10,729,659	$9,372,383

Note 1: During the period income of $143,000 was re-allocated to Net Income (Loss) attributable non-controlling interest from Net Income (Loss) Attributable Shareholders. This adjustment reflects the cumulative effect of a misallocation of income during the consolidation process during prior periods. As the misallocation is not material to any previous period reported, this has been adjusted in the current period. The chart below reflects the adjusted allocations for the prior periods had this adjustment had been made:

	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018
Net income (loss) attributable to shareholders of the Company **Adjusted**	(126,127)	(196,684)	(536,992)	(189,781)	(645,627)	(255,480)	(420,418)	(413,221)
Non-controlling interests **Adjusted**	604,738	640,828	249,921	135,123	155,269	n/a	n/a	n/a

Management will continue to focus on improving the net income (loss) attributable to the common shareholders by increasing its assets under management (or loan book), while maintaining the historically strong investment performance, and thereby earning more fees and share of profit.

LIQUIDITY AND SOLVENCY

As at May 31, 2020, the Company's cash balance was approximately $5.2 million and working capital was approximately negative $2.3 million, compared with approximately $4.7 million and $4.6 million, respectively, as of November 30, 2019. The working capital deficit at quarter end is attributed to the nearing maturity of certain of the debentures and convertible debentures. Management is currently considering alternatives to address these maturities through a combination of refinancing or extension of the debentures, and conversion of a portion of the convertible debentures to equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

(a) Certain directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel invested in the Company's convertible debentures. As at May 31, 2020, there was $598,170 (November 30, 2019: $598,095) due to directors, officers, family members of directors and officers and a company controlled by a family member of a director.

(b) Debentures of $1,482,500 (November 30, 2019: $1,582,500) were issued to directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel. As at May 31, 2020, there was $1,503,081 (November 30, 2019: $1,606,836) due to directors, officers, family members of directors and officers and a company controlled by a director.

(c) During the six months ended May 31, 2020, $109,449 (2019: $77,355) of interest from both debentures and convertible debentures were accrued or paid to certain directors, officers, family members of directors and officers and a company controlled by a director.

(d) Accounts payable of $38,096 (November 30, 2019: $27,979) was due to directors and/or officers identified as key management personnel as at May 31, 2020.

(e) Rent expense of $8,400 (2019: $8,400) was accrued or paid during the six months ended May 31, 2020 to a third party company controlled by a member of management.

(f) Investments by directors and their family accounts for $2,850,000 (November 30, 2019: $2,500,000) of Limited Partner contributions as at May 31, 2020.

The Company considers the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Credit Officer, and Directors as key management personnel. Key management compensation for the six months ended May 31, 2020 and 2019 were as follows:

(a) Directors fees of $36,401 (2019: $20,274) were accrued or paid during the six months ended May 31, 2020.

(b) Management compensation of $215,787 (2019: $259,583) were accrued or paid during the six months ended May 31, 2020.

(c) Share-based payments of $61,617 (2019: $67,501) were recorded for directors and certain officers identified as key management personnel for the six months ended May 31, 2020.

OUTLOOK & COVID-19

In March 2020, there was a global outbreak of COVID-19, which has had a significant impact on businesses through the restrictions put in place by the Canadian and U.S. governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact that the COVID-19 outbreak may have on the Company is unknown as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. Management believes that recurring revenue software companies offer security and stability even in times of economic uncertainty due to their stable secure revenue streams and high gross margins. The Company utilizes a credit scoring process that prioritizes high customer retention rates as well as a well-diversified customer bases. These two factors, along with other key attributes such as size and cash runway, are structured to provide downward protection in an uncertain economic environment.

Many of our portfolio companies have continued to be agile in this environment. At this time, none of the Company's investments are in arrears and management have reviewed revised and updated forecasts for each of the Investees. Many of the portfolio companies were able to secure government funding and financial support, increasing their cash reserves. Management has increased the size of our capital reserves, however to date management has not experienced an increase in requests for follow-on disbursements and no investees have defaulted or deferred their monthly payments. TIMIA will continue to monitor its investees progress against forecasts received.

TIMIA will continue to focus on delivering great returns through the unprecedented economic downturn, further differentiating ourselves from our competitors. Continuing to deliver returns will allow the Company to source capital in a non-dilutive manner.

The COVID-19 crisis has changed planning for every industry—ours is no different. However, despite these uncertain times, TIMIA looks forward to raising further capital via limited partnerships and increasing the amount of capital put to work in new and existing deals over prior years.

SUBSEQUENT EVENTS

Subsequent to quarter end, the Company granted 650,000 stock options to staff and officers exercisable into common shares at a price of $0.16 - $0.165 per share. The stock options have a term of five years.

On June 25, 2020, the Company further disbursed $250,000 to an existing Canadian portfolio company.

On July 14, 2020, $1,500,000 was repaid on the credit facility issued on May 6, 2020.

On July 15, 2020, the Company completed a $10,212,000 (US$7,500,000) financing in launching its second Limited Partnership ("LP II"). Under the terms of the LP, the Company will invest and own not less than $500,000 of the LP units and act as LP II's manager. TIMIA may transfer certain existing credit agreements to the fund at fair

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial Instruments

The following table summarizes information regarding the carrying values and classification of the Company's financial instruments as of the periods ended May 31, 2020 and November 30, 2019:

		May 31, 2020		November 30, 2019
Cash – FVTPL	$	5,219,544	$	4,662,156
Accounts receivable – Amortized cost		363,366		284,326
Loans receivable – Amortized cost		25,055,059		21,147,512
Equity investments – FVTPL		965,100		965,100
Forward contract receivable – FVTPL		47,000		-
Accounts payable – Amortized cost		152,725		305,665
Revolving credit facility – Amortized cost		4,009,517		1,405,270
Convertible debentures – Amortized cost		2,058,676		2,047,696
Debentures – Amortized cost		6,060,161		6,076,930
Co-investment obligations – Amortized cost	$	2,201,021	$	2,575,708

The estimated fair values of cash and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Equity investments and forward contract receivable are carried at their fair value. Loans receivable, accounts receivable, convertible debentures, co-investment obligations, revolving credit facility, and debentures are carried at amortized cost.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and loan investments. The Company limits exposure to credit risk by maintaining its cash with financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and loan receivable.

In monitoring credit risk the Company performs ongoing credit evaluations of its investees' financial condition. The evaluation considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition. In prior periods, the Company accrued a loan loss provision each quarter of 0.75% (3% p.a.) of the portfolio amortized loan balance, net of future cash flows belonging to the holders of the co-investment obligation agreements. The Company adopted IFRS 9 this period and thus as of December 1, 2018, the Company calculates an expected credit loss (ECL) based on the 'three stage' model outlined in the diagram below.

The Company assigns each loan in the portfolio to a credit quality stage of Stage 1, Stage 2 or Stage 3. This credit quality staging is then used to calculate the lifetime ECL. The lifetime ECL is the maximum loss in default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable. The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing

a need to adjust the ECL model. In the current period, post-model adjustments were recorded due to specific circumstances relating to the underlying loans. The ECL expense this period is $38,105 and the loan loss accrued is $486,630 as at May 31, 2020.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash consists of cash deposited in business accounts held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 5 years
	$	$	$	$	$
Accounts payable	152,725	152,725	152,725	-	-
Revolving credit facilities	4,009,517	4,009,517	4,009,517	-	-
Convertible debentures	2,058,676	2,058,676	1,775,176	283,500	-
Debentures	6,060,161	6,060,161	1,929,128	2,950,636	1,180,397
Co-investment obligations	2,201,021	2,201,021	600,145	-	1,600,876
Total	14,482,100	14,482,100	8,466,691	3,234,136	2,781,273

Co-investment obligations, having a carrying value of $2,201,021, do not contain a contractual cash flow. Co-investors are only entitled to a percentage of revenue, if and when received.

Foreign Exchange Risk

The Company's foreign exchange risk is due to the Company's nine loan investments totaling US$10,450,000 which are currently valued together at $14,520,975 denominated in Canadian dollars. In addition, the Company has entered into a forward contract which commits the Company to buy US$2,500,000 at a fixed exchange rate. Changes in the foreign exchange rate could impact the gain (loss) realized on this contract.

Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. A 10% change in the interest rate would not result in a material impact on the Company's operations.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which could have a significant unfavourable effect on the Company's financial position. The Company manages market risk by having a portfolio of investments not singularly exposed to any one issuer; however, its investment activities are currently concentrated primarily in the technology and energy sectors. The Company also manages its market risk by reviewing commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In compliance with the requirements of National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, the Certifying Officers have reviewed and certified the Financial Statements for the six months ended May 31, 2020 and year ended November 30, 2019, together with other financial information included in the Company’s annual securities filings. The Certifying Officers have also certified that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company is made known within the Company and that they operated effectively during the period.

OUTSTANDING SHARE DATA

As of May 31, 2020, the Company had 41,434,796 common shares outstanding, 3,475,000 stock options, 6,331,480 share purchase warrants outstanding and $2,051,000 convertible debentures convertible into 14,650,000 common shares. As of the date of this MD&A, the Company had 41,434,796 common shares outstanding, 4,125,000 stock options, 6,331,480 share purchase warrants outstanding and $2,051,000 convertible debentures convertible into 14,650,000 common shares.

ON BEHALF OF THE BOARD:

“Michael Walkinshaw”

Chief Executive Officer

TIMIA CAPITAL CORP.