

The following is a management's discussion & analysis ("MD&A") of the financial condition and results of operations of Carrus Capital Corporation ("Carrus" the "Company", "we", "our") during the six months ended October 31, 2016 and to the date of this report.

The following management discussion and analysis is prepared as at December 29, 2016, and should be read in conjunction with the unaudited condensed interim financial statements for the six months ended October 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars.

Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING INFORMATION OR STATEMENTS AND CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS**

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in currency exchange rates; uncertainty of estimates of capital and operating costs; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of December 29, 2016 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations that the Company can compete effectively with its competitors in the investment industry.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

## BUSINESS OVERVIEW

### History and Business Model

Carrus Capital Corporation was incorporated under the *British Columbia Business Corporations Act* as a biotechnology company on February 12, 2010, engaged in the research, development and commercialization of drugs for the treatment of infectious diseases to advance therapy, improve health and enrich lives. On March 19, 2010, Carrus completed a plan of arrangement with MIGENIX Inc. ("MIGENIX"), by which substantially all of MIGENIX's assets and liabilities were transferred to the Company. The principal business of the Company following the completion of the plan of arrangement was to carry on the previous business of MIGENIX, being the business of researching, developing and commercializing drugs for the treatment of infectious diseases.

From March 24, 2010, the Company's common shares were listed on the Toronto Stock Exchange ("TSX") under the name of BioWest Therapeutics Inc. and stock symbol "BWE".

On August 19, 2011, the Company received TSX Venture Exchange ("TSXV") approval of its change of business and its application to list its common shares for trading on the TSXV as a tier 2 "investment issuer". The Company's common shares were voluntarily delisted from trading on the TSX at the close of the market on August 19, 2011, and were listed for trading on the TSXV at the open of the market on August 22, 2011. Concurrently with the listing on the TSXV, the Company changed its name to "Carrus Capital Corporation" and Carrus's common shares began trading under the stock symbol "CHQ".

On February 11, 2014, the Company entered into a plan of arrangement agreement ("Arrangement"). Pursuant to the Arrangement, the Company incorporated three wholly owned Canadian subsidiaries: BioAB Strategies Ltd. ("BioAB"), BioDE Ventures Ltd. ("BioDE") and BioHEP Technologies Ltd. ("BioHEP") and transferred all of its biotechnology assets to the subsidiaries in exchange for common shares of the respective entities. Subsequently, the Company distributed the shares of BioAB, BioDE and BioHEP to its shareholders at that time.

The Company's primary focus is to seek high return opportunities through investment in the securities of other companies, assets or businesses. The Company may also engage in generalized merchant banking activities.

### *Investment Objective*

Carrus's primary objective is to increase shareholder value through the identification of and investment in securities of publicly listed corporations offering capital appreciation potential. Investments will be acquired and held for short-term gains or long-term capital appreciation, dependent upon the specific investment. The Company may also invest in private companies. The paramount goal of the Company will be to generate maximum returns from its investments. The Company has hired professional portfolio managers to assist with meeting this objective.

### *Composition of Investment Portfolio*

The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. Carrus expects its investment activities will be primarily focused on enterprises located in Canada and the United States, although investments may extend globally (including the purchase of securities listed on foreign stock exchanges). Carrus expects to invest in a wide range of industries without regard to a specific policy on investment diversification. In this way, each investment will be assessed on its own merits and its potential to generate returns for the Company. The Company may invest heavily in a particular sector that the Company believes will continue to perform. Carrus believes that any risk of limited diversification may be mitigated by closely monitoring its investments, and liquidating individual investments that show signs of weakness. The actual composition of the Company's investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of financial markets and credit risk. The Company intends to focus on investments in those businesses or assets in which the intrinsic value is not properly reflected in their share or other price.

**SELECTED QUARTERLY FINANCIAL DATA**

The following table provides summary financial data for our last eight quarters prepared in accordance with IFRS:

	Quarter ended	Income (loss) before other income and expenses \$	Income (loss) and comprehensive income (loss) \$	Basic and diluted earnings (loss) per common share \$	Weighted average number of common shares
Q2/17	October 31, 2016	(30,823)	(37,968)	(0.02)	2,292,414
Q1/17	July 31, 2016	(36,955)	(44,102)	(0.02)	2,292,414
Q4/16	April 30, 2016	(40,247)	(37,377)	(0.02)	2,292,414
Q3/16	January 31, 2016	(91,115)	(92,591)	(0.04)	2,292,414
Q2/16	October 31, 2015	(43,758)	23,403	0.01	2,292,414
Q1/16	July 31, 2015	(311,764)	(317,954)	(0.13)	2,292,414
Q4/15	April 30, 2015	267,665	353,114	0.15	2,292,114
Q3/15	January 31, 2015	(64,997)	(71,401)	(0.03)	2,292,414

The primary factors affecting the magnitude of the Company's income and losses before other income and expense are summarized as follows:

- The Company recognized a gain (loss) from investment of (\$17,327) in Q2/17, in Q1/17, (\$21,659) in Q4/16, (\$61,082) in Q3/16, (\$27,654) in Q2/16, (\$289,842) in Q1/16, \$287,894 in Q4/15, and (\$54,147) in Q3/15 due to fluctuations in the market value of the Company's investments. The volatility of the investments has been the key factor in income variations over the 8 quarters.
- In Q2/17, consulting fees, professional fees and transfer agent, regulatory and listing fees were \$12,383, which is lower than other quarters due to the decrease in business activities.

The primary factors affecting the magnitude of the Company's other income and expenses are summarized as follows:

- Finance costs in respect of the amortization of the promissory notes payable and the government assistance repayable was recognized as follows:  
Q2/17 - \$7,498, Q1/17 - \$7,498, Q4/16 - \$2,136 Q3/16 - \$6,235,  
Q2/16 - \$8,457, Q1/16 - \$6,191, Q4/15 - \$6,593, Q3/15 - \$6,505,

The Company has no fixed dividend policy. The payment of dividends is subject to the discretion of the board of directors and will depend on, among other factors, on our earnings, capital requirements and financial condition.

## RESULTS OF OPERATIONS

### *Three months ended October 31, 2016 compared to the three months ended October 31, 2015*

#### *Investment loss*

Investment loss for the three months ended October 31, 2016, was \$17,237 as compared to a loss of \$27,654 for the three months ended October 31, 2015. The decrease in investment loss is primarily due to decreased volatility in the market value of the marketable securities during the three months ended October 31, 2016.

#### *Operating expenses*

Operating expenses for the three months ended October 31, 2016, were \$13,496 (2015 – \$16,104). The decrease of \$2,608 is primarily the result of a decrease of \$911 in management fees on marketable securities, decrease of \$300 in consulting fees, decrease of \$1,854 in investor communications and a decrease of \$1,616 in transfer agent fees due to reduced business activity. These decreases were offset by higher professional fee costs of \$1,886.

#### *Other income / expenses*

Total other expenses for the three months ended October 31, 2016 was \$7,147 as compared to other income of \$67,161 for the three months ended October 31, 2015. The decrease in total other income/expenses is primarily due to the write-off of \$75,517 of the government assistance repayable resulting from an amended settlement agreement as at October 31, 2015. Finance costs decreased by \$959 during the three months ended October 31, 2016. This increase is offset by \$351 of interest income earned during the three months ended October 31, 2016. The promissory note balance remained unchanged from the three months ended October 31, 2015.

### *Six months ended October 31, 2016 compared to the six months ended October 31, 2015*

#### *Operating expenses*

Operating expenses for the six months ended October 31, 2016 were \$28,791 (2015 – \$38,025). The decrease of \$9,234 is primarily the result of the decrease of \$1,854 in investor communications, \$5,476 in consulting fees and \$3,128 in management fees on marketable securities.

Office and general administration and professional fees increased from the previous quarter due to higher storage and audit fees, respectively. Transfer agent, regulatory and listing fees were lower in the six months ended October 31, 2016 relative to the six months ended October 31, 2015 due to decreased business activity.

#### *Other income / expenses*

Total other expense for the six months ended October 31, 2016 was \$14,293 as compared to total other income of \$60,970 for the six months ended October 31, 2015. The increase in the other expense is primarily due to the write-off of \$75,517 of the government assistance repayable resulting from an amended settlement agreement as at October 31, 2015. Finance costs increased by \$348 and this was offset by a \$602 increase in interest income.

## ANALYSIS OF CASH FLOWS

#### *Operating Activities*

During the six months ended October 31, 2016 and 2015, cash used in operating activities was \$21,496 and \$13,877, respectively. The increase of \$7,620 is primarily due to expenses being offset by the sale of marketable securities in the six months ended October 31, 2015.

#### *Financing Activities*

Cash gained in financing activities during the six months ended October 31, 2016 was \$Nil compared with \$5,370 during the six months ended October 31, 2015. The decrease of \$5,370 is primarily due to the settlement of the government assistance loan during the six months ended October 31, 2016 offset by funds received from a promissory note of \$40,000.

*Working Capital*

As at October 31, 2016, the Company had negative working capital of \$21,327, compared to working capital \$57,615 as of April 30, 2016. The decrease in working capital is primarily attributable to changes in the fair value of marketable securities during the six months ended October 31, 2016. The Company had marketable securities of \$28,956 invested in common shares of publicly traded companies at October 31, 2016 (see "FINANCIAL INSTRUMENTS AND RISKS" below). The Company will require additional financing or liquidation of certain of its investments to continue operating. The Company's ability to continue as a going concern and realize the carrying value of its assets is dependent on its ability to raise capital through public equity financing, or upon the generation of profits from its investments, the outcome of which cannot be predicted at this time.

**LIQUIDITY AND CAPITAL RESOURCES**

As of October 31, 2016, the Company had cash of \$315 (April 30, 2016 – \$21,811) and current liabilities of \$51,948 (April 30, 2016 - \$30,785). The Company's trade and other payable balance of \$27,151 (April 30, 2016 - \$17,855) are payable within three months, whereas the Company's notes payable of \$196,863 (April 30, 2016 - \$181,868) is due in four years. The Company will be required to liquidate certain of its investments to fund its current liabilities.

On October 6, 2014, the Company entered into loan agreements for an aggregate amount of \$130,000. The loan agreement provides for a term of one year and bears simple interest at 12% per annum, with interest payable upon maturity date. The loan is unsecured. As additional consideration of the risk associated with the loan, the Company issued 260,000 common shares to the lenders. These common shares were issued on November 3, 2014. On October 31, 2015, the Company repaid accrued interest of \$15,600.

Effective September 30, 2015, the Company renewed the loan agreements from October 6, 2014 for an aggregate amount of \$130,000. The renewed loan agreement provides for a term of two years and bears simple interest at 14% per annum, with interest payable per annum. The loan is unsecured.

On October 30, 2015, the Company entered into an additional loan agreement for an aggregate amount of \$40,000. The loan agreement provides for a term of five years and bears simple interest at 14% per annum, with interest payable per annum. The loan is unsecured. As additional consideration of the risk associated with the loan, the Company is obligated to issue 800,000 common share warrants to the lenders. The liability component of the promissory notes payable was recognized initially at the fair value of a similar liability that does not have an obligation to issue shares, which was calculated based on the application of a market interest rate of 18%. The difference between the face value of \$40,000 and the initial fair value of the promissory notes payable represents the value attributed to common share warrants.

The Company has financed operations to date primarily through the sale of equity securities. The Company may be required to liquidate additional investments for future operations. Trading volumes and general exchange market conditions will impact the ability for the Company to liquidate those investments.

To the extent additional funds are necessary to support operations, there is no assurance that such funds can be obtained on satisfactory terms, or at all (see "RISKS AND UNCERTAINTIES" below).

***Contractual Obligations and Commitments***

As at October 31, 2016, the Company also had the following long-term contractual obligations and commitments:

<b>Payments due by period</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>2 – 5 years</b>
Promissory notes payable <sup>(1)</sup>	\$ 170,000	\$ -	\$ 170,000

(1) Represents borrowed principal amounts not discounted for equity portion

## OUTSTANDING SHARE DATA

As at December 29, 2016, there are:

- 2,292,414 common shares outstanding (October 31, 2016 – 2,292,414);
- Stock options outstanding for the purchase of 42,857 common shares at a weighted average exercise price per common share of \$0.77 (October 31, 2016 – 42,857);
- Stock warrants outstanding for the issuance of 800,000 common share warrants with the value of \$5,004 at an exercise price of \$0.05 per share with a five-year term pursuant to loan agreement (October 31, 2016 - \$5,004).

## SUBSEQUENT EVENTS

On December 5, 2016, the Company announced that it intends to raise up to \$500,000 through the distribution, by way of a non-brokered private placement, 10,000,000 special warrants ("Special Warrants") of the Company at a price of \$0.05 per Special Warrant. Each Special Warrant will entitle the holder to receive, without payment of any additional consideration or need for further action, one unit ("Unit") of the Company, each Unit comprising of one common share ("Share") and one share purchase warrant ("Warrant"); each Warrant entitling the holder to acquire one additional Share at \$0.05 for a period of 24 months.

## FINANCIAL INSTRUMENTS AND RISKS

The fair value of the Company's trade and other payables and interest receivable approximate the carrying amount due to the short-term nature of the instruments. The Company's promissory notes is measured at amortized cost and marketable securities are measured at fair value.

The Company's financial assets and liabilities are classified as follows:

	October 31, 2016	April 30, 2016
<b>Financial Assets</b>		
<i>Held for trading:</i>		
Cash	\$ 315	\$ 21,811
Interest receivables	\$ 1,350	\$ 647
Marketable securities	\$ 28,956	\$ 65,942
<i>Amortized cost:</i>		
Promissory note receivable	\$ 9,247	\$ 9,247
<b>Financial Liabilities</b>		
<i>Other financial liabilities:</i>		
Trade and other payables	\$ 27,151	\$ 17,855
Promissory notes payable	\$ 196,863	\$ 181,868

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk exposure is as follows:

	October 31, 2016	April 30, 2016
Cash	\$ 315	\$ 21,811
Other receivables	1,350	647
Marketable securities	28,956	65,942
Promissory note receivable	9,247	9,247
	\$ 39,868	\$ 97,647

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal. Credit risk with respect to receivables has been assessed as low from management as receivables are due from companies with related parties and the Company has strong working relationships with the parties involved. All transactions executed by the Company in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase only once the broker has received the securities. The trade will fail if either party fails to meet its obligations.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through equity, debt or partnering transactions. The Board of Directors approves the Company's annual operating budget as well as any material transactions outside the ordinary course of business.

At October 31, 2016, the Company had cash of \$315 (April 30, 2016 - \$21,811) and current liabilities of \$51,948 (April 30, 2016 - \$30,785). The Company's trade and other payable balance of \$27,151 (April 30, 2016 - \$17,855) are payable within three months, whereas the Company's notes payable and current portion of interest repayable balance of \$196,863 (April 30, 2016 - \$181,868) is due in four years. The Company will be required to liquidate certain of its investments to fund its current liabilities. Trading volumes will impact the Company's ability to liquidate those investments.

### Market risk

Market risk consists of currency risk, interest rate risk and other price risk. These are discussed further below.

### Currency risk

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar.

The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. The Company is not exposed to significant currency risk.

### Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to interest rate risk with respect to the promissory notes payable as the rate of interest is not variable.

### Other price risk

The Company is exposed to other price risk on its marketable securities due to fluctuations in the current market prices and fluctuations in trading volumes of those securities. At October 31, 2016, the Company held marketable securities with a fair value of \$28,956 (April 30, 2016 - \$65,942). These investments are subject to market price fluctuations. A 4.90% (April 30, 2016 - 9.05%) increase or decrease in market prices, by reference to the change of S&P/TSX Composite index, would result in an estimated increase or decrease of approximately \$1,419 (April 30, 2016 - \$6,242) in net income or loss.

The Company has an investment policy governing the purchase of marketable securities, pursuant to which the Company monitors these investments on a regular basis. The investment policy contains objectives for the purchase of investments including preservation of capital, liquidity and return, as well as specifying minimum credit ratings for

investments, types of permitted investments and diversification requirements. The Company's investment policy is periodically reviewed by the Company's audit committee.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in levels 1 to 3 of the fair value hierarchy based on the degree to which inputs used in measuring fair value is observable:

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

October 31, 2016				
	Level 1	Level 2	Level 3	
Cash	\$ 315	\$ -	\$ -	
Interest receivable	1,350	-	-	
Marketable securities	28,956	-	1,015	
Promissory notes payables	-	196,863	-	
	<b>\$ 30,621</b>	<b>\$ 196,863</b>	<b>\$ 1,015</b>	

  

April 30, 2016				
	Level 1	Level 2	Level 3	
Cash	\$ 21,811	\$ -	\$ -	
Other receivables	647	-	-	
Marketable securities	65,942	-	1,015	
Promissory notes payable	-	181,868	-	
	<b>\$ 87,385</b>	<b>\$ 181,868</b>	<b>\$ 1,015</b>	

#### OFF-BALANCE SHEET ARRANGEMENTS

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

#### PROPOSED TRANSACTIONS

There are no proposed transactions that have not been previously disclosed.

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

#### BOARD APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director

has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

## RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of the entity, and include all directors and officers. Key management compensation for the six months ended October 31, 2016 and 2015 are comprised of the following.

	October 31, 2016	October 31, 2015
Consulting fees	\$ 10,450	\$ 16,178

Consulting fees are paid per hour and include administration and book-keeping activities by Fehr & Associates, a company owned by the Company's CFO. As at October 31, 2016, the balance owed Fehr & Associates is \$10,290 (April 30, 2016 - \$2,500).

As at October 31, 2016, the balance owed to the Company's officers and directors, included in notes payable, is \$15,000 (October 31, 2015 - \$15,000), where \$10,000 is owed to Chester Shynkaryk, CEO/director and \$5,000 is owed to Ann Fehr, CFO.

As at October 31, 2016 the notes payable included \$55,000 due to Douglas Johnson, an individual who owns 600,000 of the Company's outstanding common share warrants.

During the year ended April 30, 2016, the Company had given a loan of \$10,000 to each of BioDE Ventures Ltd and BioHEP Technologies Ltd., which have shared directors and management. As at October 31, 2016 \$11,350 of principal and interest was outstanding from BioHEP Technologies Ltd.

## RISKS AND UNCERTAINTIES

The Company is in the investment management business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company has no ongoing revenue or income from operations. The Company has limited capital resources and has to rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations, and financial performance. The most significant risks and uncertainties faced by the Company are (in no specific order) are:

### *Limited operating history as an investment company.*

The Company has a limited history of operations as an investment company. Therefore, the Company entered into an assets management agreement with Pathfinder Assets Management Limited. Pathfinder Assets Management Limited and its CEO Douglas Johnson bring portfolio management and analytical experience to the Company. However, the Company will still be subject to some of the business risks and uncertainties associated with any new business enterprise, including the lack of experience in managing and operating the business and the risk that the Company will not achieve its financial objectives within the timeframes estimated by management or at all.

### *Volatility of stock price.*

In recent years, the securities market in Canada has experienced a high level of price and volume volatility and the market prices and securities of many companies have experienced wide fluctuations. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the Company's shares may be subject to market trends generally, even if the Company is successful in maintaining revenues, cash flows or earnings. The value of the Company's shares will be affected by such market volatility.

***A weak global economy can adversely affect the Company's business and financial results and have a material adverse effect on its liquidity and capital resources.***

The Company's proposed business, by its nature, does not produce predictable earnings or growth, and it may be materially affected by conditions in the global financial markets and economic conditions generally. Global financial markets experienced extreme and unprecedented disruption in the latter part of 2008, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Although financial markets stabilized and signs of a global economic recovery began to emerge in the latter part of 2009 and continued through 2012 and 2013, the economic environment, particularly in the United States and Europe, continues to be generally weak and the Company remains exposed to a number of risks associated with weak or adverse economic conditions.

Market deterioration and weakness can result in losses to the extent that the Company's owns assets in such market. The nature of the recovery in the global economy in general remains uncertain, and there can be no assurance that market conditions will continue to improve in the near future.

***The investment business is highly competitive.***

The investment business is highly competitive, and is expected to remain so. Carrus's competitors may include merchant and investment banks, brokerage firms, commercial banks and private equity firms. Many of the Company's potential competitors have substantially greater capital and resources than Carrus does. If the Company is unable to compete effectively with its competitors, its business and results of operations may be adversely affected.

***The Company may face a lack of suitable acquisition or merger or other proprietary investment candidates, which may limit its growth.***

In order to grow the proposed business, the Company may seek to acquire or merge with or invest in new companies or opportunities. A failure to make acquisitions or investments may limit the Company's growth. In pursuing acquisition and investment opportunities, Carrus expects to face competition from other companies having similar growth and investment strategies, many of which may have substantially greater resources. Competition for these acquisitions or investment targets could result in increased acquisition or investment prices, higher risks and a diminished pool of businesses, services or products available for acquisition or investment, which in turn may adversely affect the Company's business and results of operations.

***Limitations on the Company's access to capital could impair its liquidity and its ability to conduct its business.***

Liquidity, or ready access to funds, is essential to financial services firms including merchant banks. Failures of financial firms have often been attributable in large part to insufficient liquidity. The Company's liquidity could be impaired due to circumstances that it may be unable to control, such as a general market disruption or an operational problem that affects the parties Carrus deals with. Further, the Company's ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

***Strategic investments or acquisitions and joint ventures, or Carrus's entry into new business areas, may result in additional risks and uncertainties in its business.***

The Company intends to grow its business through strategic investments, acquisitions or joint ventures. When it makes strategic investments or acquisitions or enters into joint ventures, the Company expects to face numerous risks and uncertainties in combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls and to integrate relationships with customers and business partners. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of the Company's common stock, which may dilute shareholders' interests in the Company.

Although Carrus will perform diligence on any businesses it purchases or makes an investment in, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual condition of these businesses. The Company may not be able to ascertain the value or understand the potential liabilities of the acquired

businesses and their operations until it assumes operating control of the assets and operations of these businesses or an investment is made.

***The Company may be subject to transaction risks that may have a material adverse effect on its business, results of operations, financial condition and cash flow.***

The Company intends to manage transaction risks through allocating and monitoring its capital investments in circumstances where the risk to its capital is minimal, carefully screening transactions, and engaging qualified personnel to manage transactions, as necessary. Nevertheless, transaction risks may arise from the Company's investment activities. These risks include market and credit risks associated with its operations. An unsuccessful investment may result in the total loss of such an investment and may have a material adverse effect on the Company's business, results of operations, financial condition and cash flow.

***Carrus may experience difficulty attracting and retaining qualified management to efficiently operate its business, and the failure to operate its business effectively could have a material and adverse effect on its profitability, financial condition and results of operations.***

The Company is dependent upon the continued availability and commitment of its management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Company's business operations. From time to time, Carrus will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If it is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

***Certain of the Company's directors and officers may, from time to time, serve in similar positions with other public companies, which may put them in a conflict position from time to time.***

Certain of Carrus's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on Carrus's results of operations and financial condition.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

## **ACCOUNTING POLICY & SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

During the six months ended October 31, 2016, no new accounting policies have been adopted and no changes have been made to accounting judgments and estimates. Please refer to the annual financial statements for additional information.

## **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new IFRS standards, and amendments to standards and interpretations, are not yet effective for the t, and have not been applied in preparing the financial statements. None of these standards are expected to have a significant impact on the financial statements of the Company. Please refer to the unaudited financial statements for the three months ended April 30, 2016 for additional information.