

**Dated: March 20, 2020**

## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

This management’s discussion and analysis (“MD&A”) reports on the operating results and financial condition of Caprice Business Development Canada Inc. (the “Company”) for the year ended December 31, 2019 and is prepared as at March 20, 2020. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2019 which were prepared in accordance with IFRS (the “Financial Statements”). This MD&A has been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes “forward-looking statements”, within the meaning of applicable securities legislation, which are based on the opinions and estimates of the Company’s management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company’s ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company’s success at completing future financings
- The Company’s strategies and objectives
- General business and economic conditions
- The Company’s ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities
- The Company’s ability to manage growth with respect to a new business opportunity
- The Company’s tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

## CORPORATE OVERVIEW AND OUTLOOK

The Company was incorporated on November 29, 2018 under the laws of British Columbia and is classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The Company completed its Initial Public Offering (“IPO”) of 2,000,000 common shares at a price of \$0.10 resulting in gross proceeds of \$200,000 on July 15, 2019. The principal business of the Company is the identification and evaluation of assets or a business and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company’s head office and the records and registered office is located at 2900, 550 Burrard Street, Vancouver, British Columbia V6C 0A3.

As a CPC, the Company’s business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a qualifying transaction (“Qualifying Transaction”), as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the TSX-V. The Company has an accumulated deficit of \$171,361 as at December 31, 2019. The Company’s continued operations are dependent upon its ability to identify, evaluate and successfully negotiate an agreement to acquire an interest in a sustainable/viable business operation within 24 months of listing on the TSX-V (July 22, 2019). There is no assurance that the Company will complete a Qualifying Transaction by July 15, 2021, at which time the TSX-V may suspend or de-list the Company’s shares from trading. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition.

## SELECTED ANNUAL INFORMATION<sup>1</sup>

The Company was incorporated on November 29, 2018. Therefore, there is only one year of annual information available.

	For the year ended December 31, 2019
	\$
(a) Revenue	Nil
(b) Loss from continuing operations	(149,269)
(c) Loss for the year	(149,269)
(d) Total assets	309,173
(e) Total non-current financial liabilities	Nil
(f) Cash dividends declared per common share	Nil

<sup>1</sup> Financial information prepared in accordance with IFRS.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2019

The Company currently has no sources of revenue.

**Legal fees** for the year ended December 31, 2019 were \$43,523. Legal fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$16,092. These costs were incurred for incorporating the Company and a portion of the cost of preparing the Company's prospectus and completing the Offering.

**Office and administrative expenses** for the year ended December 31, 2019 were \$10,542. Office and administrative expenses for the period from incorporation, November 29, 2018, to December 31, 2018 were \$Nil. These charges were in relation to bank charges and rent for the operation of the Company.

**Filing fees** for the year ended December 31, 2019 were \$29,926. Filing fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$Nil.

**Audit and Accounting fees** for the year ended December 31, 2019 were \$16,061. Audit and accounting fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$6,000. These were accounting fees incurred for the preparation of the Company's prospectus and financial statements.

### Loss and comprehensive loss for the period

As a result of the activities discussed above and stock-based compensation granted (\$49,217), the Company experienced a loss and comprehensive loss of \$(149,269) for the year ended December 31, 2019 and \$(22,092) for the period from incorporation, November 29, 2018, to December 31, 2018.

### SUMMARY OF QUARTERLY RESULTS<sup>1</sup>

	For the period from incorporation, Nov 29, 2018, to Dec 31, 2018	For the three months ended March 31, 2019	For the three months ended June 30, 2019
	\$	\$	\$
(a) Revenue	Nil	Nil	Nil
(b) Loss for the period	(22,092)	(25,982)	(3,965)
(c) Loss per share	Nil	Nil	Nil

	For the three months ended Sept 30, 2019	For the three months ended Dec 31, 2019
	\$	\$
(a) Revenue	Nil	Nil
(b) Loss for the period	(84,443)	(34,879)
(c) Loss per share	(0.05)	(0.02)

<sup>1</sup> Financial information prepared in accordance with IFRS.

## RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

The Company currently has no sources of revenue.

**Legal fees** for the three months ended December 31, 2019 were \$10,440. Legal fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$16,092. These costs were incurred for incorporating the Company and a portion of the cost of preparing the Company's prospectus and completing the Offering.

**Office and administrative expenses** for the three months ended December 31, 2019 were \$10,520. Office and administrative expenses for the period from incorporation, November 29, 2018, to December 31, 2018 were \$Nil. These charges were in relation to bank charges and rent for the operation of the Company.

**Filing fees** for the year ended December 31, 2019 were \$95. Filing fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$Nil.

**Audit and Accounting fees** for the three months ended December 31, 2019 were \$13,824. Audit and accounting fees for the period from incorporation, November 29, 2018, to December 31, 2018 were \$6,000. These were accounting fees incurred for the preparation of the Company's prospectus and financial statements.

### Loss and comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a loss and comprehensive loss of \$(34,879) for the three months ended December 31, 2019 and \$(22,092) for the period from incorporation, November 29, 2018, to December 31, 2018.

## SHARE CAPITAL

### Authorized

Unlimited number of common shares without par value.

### Issued and outstanding

As at December 31, 2019 and the date of this MD&A, the Company had 5,500,000 common shares issued and outstanding.

On May 31, 2019 the Company entered into an escrow agreement with all of its then present shareholders whereby the 3,500,000 issued shares became subject to escrow restrictions; to be released from escrow in tranches over 36 months upon completion of a Qualifying Transaction. These shares are considered contingently returnable and are excluded from the weighted average number of shares outstanding.

	Number of Shares	Amount
		\$
Balance, November 29, 2018	-	-
December 6, 2018 – share issuance	2,000,000	100,000
May 24, 2019 – share issuance	1,500,000	75,000
July 15, 2019 - IPO shares issuance	2,000,000	200,000
<b>Balance as of the date of this MD&amp;A</b>	<b>5,500,000</b>	<b>375,000</b>

## Agent's Options

In connection with the IPO, Haywood Securities Inc. (the "Agent") received an aggregate of \$44,276 in cash commission, administration fee, legal and other expenses and non-transferrable warrants to acquire up to 200,000 common shares for a period of two years from the date the Company's shares were listed on the TSX-V, at an exercise price of \$0.10 per share.

The Agent's warrants were valued at 10,553 using the Black-Scholes option pricing model with an expected life of 2 years, volatility of 100%, risk-free rate of 1.58% and a dividend rate of 0%.

## LIQUIDITY AND CAPITAL RESOURCES

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

A summary of the Company's cash flows for the year ended December 31, 2019 is as follows:

	<b>December 31, 2019</b>
Cash flows used in operating activities	\$ (23,551)
Cash flows used in investing activity	\$ -
Cash flows provided by financing activities	\$ 255,724
Increase in cash for the period	\$ 232,173
Cash, beginning of the period	\$ 75,000
Cash, end of the period	\$ 307,173

**Cash flows used in operating activities** were \$(23,551) for the year ended December 31, 2019. During the period, \$45,217 was provided through stock-based compensation and \$76,501 was provided through change in non-cash working capital.

**Cash flows provided by financing activities** were \$255,724 for the year ended December 31, 2019. During the period, \$255,724 was provided through the issuance of common shares, net of \$44,276 of share issuance costs.

As a result of the above activities, at December 31, 2019, the Company had \$307,173 of cash to settle current liabilities of \$100,593. As such, management feels the Company has sufficient cash to fund corporate overhead costs. The Company's exposure to liquidity risk is currently negligible.

Until the Company has either acquired or developed a business that generates revenues, the Company will remain dependent upon the financial support of its shareholders. Therefore, in order to fund future operating costs and/or settle its obligations with debt holders, the Company may seek to raise debt financing, or issue shares of its common stock to settle any debt, or issue shares of its common stock to raise capital. There is no assurance that the Company will be able to issue shares, or raise debt financing. Should the Company

issue common shares to settle its debt or raise capital it would significantly dilute the existing shareholders. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

## **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the year ended December 31, 2019, the Company incurred \$10,500 (2018 – \$Nil) for rent of shared office space from a company with a director in common. As at December 31, 2019, \$3,000 (2018 - \$Nil) was due to this company.

The Company has identified its directors and officers as its key management personnel.

During the year ended December 31, 2019 and the period from incorporation on November 29, 2018 to December 31, 2018, \$Nil was recorded as compensation costs for key management personnel and companies related to them.

## **RISKS AND UNCERTAINTIES**

### **Strategic Risk**

At present, the Company has very limited sources of funding from which to repay its existing obligations and fund on-going operating costs. If the Company is unable to obtain adequate additional financing, management might be required to curtail the Company's operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case its ability to continue as a going concern may be adversely affected.

There is also no guarantee that the Company will be able to complete the acquisition of or participation in a new business opportunity. If an acquisition of or the participation in corporations, properties, assets or businesses is identified, the Company may find that even if the terms of an acquisition or participation are economic, it may not be able to finance such acquisition or participation and additional funds will be required to enable the Company to pursue such an initiative. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. The Company will be competing with other companies, many of which will have far greater resources and experience than the Company. No assurance can be given that the Company will be successful in raising the funds required for an acquisition.

### **Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

### **Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

### **Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

## **FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **Market Risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

**(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at the date of this MD&A the Company is not exposed to currency risk.

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

**(iii) Price rate risk**

The Company is exposed to price risk with respect to 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. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2019, the Company had no sources of revenue but had a cash balance of \$307,173 to settle current liabilities of \$100,593. As such, management feels the Company has sufficient cash to fund corporate overhead costs for the next year. The Company's exposure to liquidity risk is currently negligible.



## **Fair Value Measurements**

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at December 31, 2019, the Company's financial instruments consisted of cash, accounts payable and accrued liabilities. Cash is valued at amortized cost. Accounts payable and accrued liabilities are valued at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. As at the date of this MD&A the Company has not identified any key sources of estimation or judgments.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

At the date of this MD&A, the International Accounting Standards Board ("IASB") has issued the following new and revised Standards which are not yet effective:

- **IFRS 3** - When a party to a joint arrangement (as defined in IFRS 11 Joint Arrangements) obtains control of a business that is a joint operation (as defined in IFRS 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation (effective for annual periods beginning on or after January 1, 2019).
- **IFRS 16** - New accounting standard that replaces IAS 17, IFRIC 4, SIC 15, and SIC 27 for the recognition, measurement, presentation, and disclosure of leases for both the lessee and lessor (effective for annual periods beginning on or after January 1, 2019).

We have adopted these standards, however do not expect there to be material impact on the results and financial position of the Company. Other standards and interpretations released by the IASB are currently not expected to be applicable to the Company.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.