

**HOPE WELL CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS AND NINE MONTHS ENDED OCTOBER 31, 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

December 31, 2018

## **Introduction**

The following interim Management's Discussion and Analysis ("**MD&A**") of Hope Well Capital Corp. (the "**Corporation**") for the three and nine months ended October 31, 2018 has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of Hope Well Capital Corp. ("**HWCC**" or the "**Corporation**") for three and nine months ended October 31, 2018 and the related notes thereto and the audited annual financial statements for the year ended January 31, 2018 and the related notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three and nine months ended October 31, 2018, are not necessarily indicative of the results that may be expected for any future period. In the opinion of management all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included.

The Corporation applies International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**"). The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Corporation to complete a Qualifying

Transaction (defined below); the ability of the Corporation to successfully merge its business with a potential Qualifying Transaction target company or asset, the Corporation's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

## **Overview**

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("**CPC**") as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). The Corporation has no assets other than cash, prepaids and other receivable. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "**Qualifying Transaction**"), and once identified and evaluated, to negotiate an acquisition or participation. The registered office of the Corporation is located at Suite 3000, 77 King Street West, Toronto, Ontario, M5K 1G8. The Corporation's financial year ends on January 31.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the Exchange. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within twenty-four months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Corporation's common shares from trading should it not meet these requirements.

The Corporation has not commenced commercial operations and has no assets other than cash, cash equivalents and prepaids. The Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Corporation's shares from trading.

Until Completion of the Qualifying Transaction (as such term is defined in Policy 2.4), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a Qualifying Transaction. Except as described in the Corporation's prospectus dated March 24, 2017 in connection with the IPO, funds raised pursuant to the issuance of shares by the Corporation will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses.

## **Initial Public Offering**

On May 3, 2017, the Corporation completed its initial public offering (the “**IPO**”) through its agent, Mackie Research Capital Corporation (“**Mackie**”), pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The Corporation became classified as a Capital Pool Company pursuant to Policy 2.4 — Capital Pool Companies (“**Policy 2.4**”) of the Exchange and commenced trading on the Exchange under the symbol HOPE.P on May 9, 2017. The Corporation's principal business is the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as such term is defined in Policy 2.4).

As consideration for its role as agent, the Corporation granted to Mackie a non-transferable option (the “**Agent's Option**”) to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, Mackie received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

Upon closing of the IPO, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director, and the 270,375 options granted to him expired on September 29, 2017 in accordance with the terms of the stock option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of C\$0.21 per share until November 6, 2022.

### *Escrow shares*

All common shares issued prior to the offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the Exchange, of the Corporation prior to the completion of the Qualifying Transaction will be deposited with the trustee under the escrow agreement. Under the Discount Seed Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “**Initial Release**”) and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule may be accelerated if the Corporation is listed as a Tier 1 Issuer.

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the escrow agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the

Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at April 30, 2018, 1,475,000 common shares were in escrow.

### **Definitive Agreement**

Hope Well Capital Corp. and its wholly owned subsidiary, 2644246 Ontario Limited. ("**Hope Well Sub**"), which was incorporated on July 5, 2018 and is inactive, have entered into an amalgamation agreement dated July 27, 2018 (the "**Definitive Agreement**") with Payfare Inc. ("**Payfare**"), to provide for the completion of a business combination with Hope Well (the "**Transaction**"), as more particularly described below. The proposed Transaction and the Offering (as defined below) were initially announced in a Hope Well press release dated November 20, 2017, indicating that Hope Well and Payfare had entered into a letter of intent in respect of the Transaction.

In connection with the Transaction, Payfare completed, on July 27, 2018, a private placement (the "**Offering**") of 7,850,878 subscription receipts (the "**Subscription Receipts**") for gross proceeds of approximately \$5.10 million through a combination of a brokered Offering (the "**Brokered Offering**") led by Mackie Research Capital Corporation ("**Mackie**") and a non-brokered Offering (the "**Non-Brokered Offering**").

The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the TSX Venture Exchange (the "**TSXV**"). If completed, the Transaction will constitute Hope Well's "Qualifying Transaction" (as such term is defined in TSXV Policy 2.4 – *Capital Pool Companies*).

### **The Qualifying Transaction**

Pursuant to the Transaction, Hope Well and Payfare will complete a "three-cornered" amalgamation under the provisions of the *Business Corporation Act* (Ontario), pursuant to which Payfare will amalgamate with a wholly-owned subsidiary of Hope Well (the "**Amalgamation**").

Immediately prior to the closing of the Amalgamation, Hope Well will complete a consolidation (the "**Consolidation**") of the common shares of Hope Well on the basis of 1.580113 pre-Consolidation shares for one (1) post-Consolidation share. The Consolidation reflects a deemed Transaction value of \$0.41 per Hope Well common share on a pre-Consolidation basis. Upon closing of the Amalgamation, Hope Well will also change its name to "Payfare Corp." or such other name approved by Hope Well and Payfare and acceptable to the applicable regulatory authorities (the "**Name Change**").

Pursuant to the Amalgamation, the outstanding Payfare Shares will be exchanged for post-Consolidation common shares of Hope Well on a 1:1 basis, resulting in the existing holders of Payfare Shares (including investors under the Offering) becoming holders of post-Consolidation common shares of Hope Well post-Transaction. Subject to TSXV approval, the outstanding convertible securities of Payfare will be exchanged pursuant to the Amalgamation for comparable securities of Hope Well having substantially the same terms and conditions (and, for greater certainty, being economically equivalent to the exchanged convertible securities of Payfare). The amalgamated entity will be a wholly-owned subsidiary of Hope Well post-

Transaction and Hope Well on a post-Transaction basis will be the "**Resulting Issuer**".

The material conditions required to be fulfilled by the parties prior to completion of the Transaction include the following: (i) the entering into of the Definitive Agreement and other agreements necessary in connection with the Transaction; (ii) receipt of all required approvals, including TSXV approval, the approval of the shareholders of Payfare in respect of the Transaction and related matters, and all necessary consents of lenders and other third parties; (iii) completion of the Consolidation and the Name Change; (iv) upon completion of the Transaction, the Resulting Issuer meeting the applicable minimum listing requirements as a technology issuer, including, without limitation, the public float requirements of the TSXV; (v) immediately prior to the closing of the Transaction, each of the parties required by the TSXV shall have entered into an escrow agreement upon the terms and conditions imposed pursuant to the policies of the TSXV; and (vi) certain other customary conditions for a transaction of this nature.

It is intended that the Resulting Issuer will be listed as a technology issuer. The parties will be seeking an exemption from the requirement for sponsorship of the Transaction, but in the event an exemption is not available, will seek a sponsorship relationship for this Transaction with Mackie, and will update the markets accordingly.

The Transaction will constitute an arm's-length transaction, and as such, the Transaction will not require approval by the shareholders of Hope Well. However, Hope Well held a shareholders' meeting on June 28, 2018 and received shareholder approval for, among other things, the Consolidation and the Name Change. Hope Well intends to prepare and submit a filing statement in connection with the Transaction in due course.

### **Private Placement**

Payfare closed the Offering of 7,850,878 Subscription Receipts for aggregate gross proceeds of approximately \$5.10 million on July 27, 2018. Approximately \$2.01 million of the Subscription Receipts was sold in the Brokered Offering pursuant to an agency agreement dated July 27, 2018 (the "**Agency Agreement**") with a syndicate led by Mackie and including Haywood Securities Inc. and Canaccord Genuity Corp. (collectively, the "**Agents**"). The Agency Agreement provides for a minimum of \$5 million and a maximum of \$12 million of gross proceeds of the Offering, from both the Brokered Offering and the Non-Brokered Offering, at an issue price of \$0.65 per Subscription Receipt, subject to an option of the Agents to purchase up to an additional 2,769,230 Subscription Receipts at the same issue price. Approximately \$3.09 million of the Subscription Receipts were sold in the Non-Brokered Offering by Payfare.

Each Subscription Receipt will entitle the holder thereof to one unit of Payfare (a "**Payfare Unit**") upon the satisfaction of certain escrow release conditions (the "**Release Conditions**"), as discussed below, which must be satisfied within 120 days following the closing of the Offering (the "**Deadline**"). Each Payfare Unit will be comprised of one Payfare Share and one warrant to acquire one Payfare Share (a "**Payfare Warrant**"), with each Payfare Warrant exercisable for a period of 24 months from the Transaction closing date at an exercise price of \$1.25 per share. The expiry date of the Payfare Warrants may be accelerated by the Resulting Issuer at any time following the six-month anniversary of the Transaction closing date and prior to the expiry date of the Payfare

Warrants, if the volume-weighted average trading price of the Resulting Issuer Shares is greater than \$1.65 for any 20 consecutive trading days. The gross proceeds of the Offering (other than the Agents' expenses, a \$65,000 advisory fee payable to Mackie and 50% of the Agents' commission) are held in escrow until the Release Conditions have been satisfied.

In connection with the Transaction, the Payfare Shares issued pursuant to conversion of the Subscription Receipts will be converted into an equivalent number of Resulting Issuer Shares on a post-Consolidation basis. Assuming the Release Conditions are satisfied, each Subscription Receipt will ultimately entitle the holder thereof to one Resulting Issuer Share and one warrant to purchase one Resulting Issuer Share on the same terms as the Payfare Warrants. The Release Conditions include: (i) the Definitive Agreement between Payfare and Hope Well regarding the Transaction shall have been entered into on terms acceptable to the Agents and all conditions precedent to the Amalgamation shall have occurred, (ii) the TSXV shall have conditionally approved the listing of the Resulting Issuer Shares issuable pursuant to the Transaction, (iii) the receipt of all regulatory, shareholder and third-party approvals, if any, required in connection with the Amalgamation, (iv) Payfare shall have raised a minimum of \$5 million gross proceeds in the Offering, and (v) Payfare and Hope Well shall not be in breach of any conditions of the subscription receipt agreement relating to the Subscription Receipts, and all conditions set out in the Agency Agreement and subscription receipt agreement shall have been fulfilled.

The Agents are entitled to a cash commission in the amount of 7% of the gross proceeds raised under the Brokered Offering, 50% of which were paid to the Agents on closing of the Offering, and 50% of which are held in escrow to be released when the Release Conditions are satisfied. Mackie is entitled to an advisory fee of \$65,000 which was paid on the closing of the Offering. In addition, the Agents received compensation warrants (the "**Agents' Warrants**") in an amount equal to 7% of the number of Subscription Receipts sold pursuant to the Brokered Offering, each of which will entitle the holder to acquire one Resulting Issuer Share upon the payment of \$0.65 for a period of two years following the closing of the Transaction. The Agents' Warrants are only exercisable upon satisfaction of the Release Conditions on or before the Deadline.

### **Operations Highlights**

The Corporation's net loss totaled \$46,353 for the three months ended October 31, 2018 (The three months ended October 31, 2017 - \$27,475), with basic loss per share of \$0.01 (The three months ended October 31, 2017 - \$0.00), and diluted loss per share of \$0.01 (The three months ended October 31, 2017 - \$0.00). Activities for the three months ended October 31, 2018 principally involved TSXV fess and others of \$36,614, and professional fees of \$9,739 (The three months ended October 31, 2017 – TSXV fees and others of \$588, stock-based compensation of \$12,577, and professional fees of \$14,310).

The Corporation's net loss totaled \$114,642 for the nine months ended October 31, 2018 (The nine months ended October 31, 2017 - \$95,090), with basic loss per share of \$0.02 (The nine months ended October 31, 2017 - \$0.02), and diluted loss per share of \$0.02 (The nine months ended October 31, 2017 - \$0.02). Activities for the nine months ended October 31, 2018 principally involved TSXV fess and others of \$51,743, and professional fees of \$62,899 (The nine months

ended October 31, 2017 – TSXV fees and others of \$24,329, stock-based compensation of \$26,897, and professional fees of \$43,864).

## **Financial Highlights**

### *Financial Performance*

The Corporation's total assets at October 31, 2018 were \$1,089,248 (January 31, 2018 - \$1,123,588) against total liabilities of \$141,797 (January 31, 2018 - \$61,495). The Corporation has sufficient current assets to pay its existing liabilities of \$141,797 at October 31, 2018 and meet its objective of completing a Qualifying Transaction.

### *Cash Flow*

At October 31, 2018, the Corporation had working capital of \$856,364, compared to working capital of \$1,062,093 at January 31, 2018. The Corporation had cash of \$998,161 at October 31, 2018 compared to \$1,123,588 at January 31, 2018. The decrease in working capital and in cash is primarily due to expenditures for professional services provided and TSXV filing.

## **Liquidity and Financial Position**

At October 31, 2018, the Corporation had working capital of \$856,364. The Corporation manages its capital structure and makes adjustments to it, based on available funds to the Corporation. Capital levels for Capital Pool Companies are regulated pursuant to guidelines issued by the Exchange. These guidelines state that until Completion of the Qualifying Transaction, and except as otherwise provided in the Policy 2.4, a maximum of the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation and \$210,000 may be used for purposes other than evaluating businesses or assets, subject to the obtaining of a waiver of the Exchange. These restrictions apply until Completion of the Qualifying Transaction by the Corporation. Management believes the Corporation's working capital is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction. As at April 30, 2018, these restrictions had been met.

## **Off-Balance Sheet Arrangements**

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## **Contractual Obligations**

There are no significant contractual obligations.

## **Related Party Transactions**

During the three months and the nine months ended October 31, 2018, the Corporation did not enter into transactions with related parties, and no remuneration was paid to directors or officers of the Corporation.

### **Risk Factors**

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. For details of such risk factors, please see the Corporation's annual management discussion and analysis dated May 28, 2018 with respect to the fiscal year ended January 31, 2018.

### **Financial Instruments Fair Values**

At October 31, 2018, the Corporation's financial instruments consisted of cash, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the relatively short-term maturity of these instruments.

### **Capital management and risk management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

### **Outlook**

The financial results for the three and nine months ended October 31, 2018 are indicative of a Capital Pool Company that has not yet commenced business operations. At this period end, the Corporation had no commercial assets other than cash. Until the completion and approval of the Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of assets or businesses to be developed by the Corporation.

The Corporation has entered the Definitive Agreement and the Restated Definitive Agreement (as defined above) with Payfare. The Corporation believes that the share exchange and the Offering contemplated by the Definitive Agreement and the Restated Definitive Agreement meet the policies of the Exchange for a qualifying transaction and represents a bona fide business model for the Corporation.

### **Share Capital**

As of October 31, 2018, the Corporation had 7,724,999 issued and outstanding common shares. In addition, the Corporation had a non-transferable option to the Agent to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. As of October 31 2018, the Corporation also had 772,499 incentive stock options outstanding granted its directors and officers, with 502,125 stock options expiring on May 3, 2022 exercisable at \$0.20 per share, and 270,374 stock options expiring on November 6, 2022 exercisable at a price of \$0.21 per share.

### **Subsequent Events**

On November 20, 2018, Payfare and the Agents extended the escrow release Deadline for the Subscription Receipts financing proceeds from November 26, 2018 to December 31, 2018, which Deadline was further extended on December 31, 2018 to January 31, 2019. Also on November 20, 2018, Payfare and the Corporation agreed to extend the completion date for the Amalgamation to January 31, 2019 and if the Amalgamation has not been closed on or before December 31, 2018, the consolidation ratio for the Corporation's shares will be reduced from 1.580113 to 1.43646643 so that the Corporation's shareholders will have 5,377,779 (instead of 4,888,890) post-consolidation shares on closing of the Amalgamation.