

**HOPE WELL CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED JANUARY 31, 2018 AND 2017**

**(EXPRESSED IN CANADIAN DOLLARS)**

May 28, 2018

## **Introduction**

This Management's Discussion and Analysis ("MD&A") is dated May 28, 2018 unless otherwise indicated and should be read in conjunction with the audited financial statements of Hope Well Capital Corp. ("HWCC" or the "Corporation") for the year ended January 31, 2018 and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. 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 year ended January 31, 2018, are not necessarily indicative of the results that may be expected for any future period.

The audited annual financial statements for the year ended January 31, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

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.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **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 and prepaids. 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 January 31, 2018, 1,475,000 common shares were in escrow.

### **Letter of Intent - Payfare**

On November 17, 2017, the Corporation entered into a letter of intent (the "**LOI**") for a business combination with Payfare Inc. ("**Payfare**"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the Exchange. The transaction is intended to constitute HWCC's qualifying transaction under the policies of the Exchange (the "**Qualifying Transaction**").

### **Qualifying Transaction**

Pursuant to the terms of the LOI, completion of the Qualifying Transaction will be subject to a number of conditions, including completion of a Financing (as defined and described below), completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange of the Qualifying Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the Exchange and all requirements under the Exchange rules relating to completion of a Qualifying Transaction and execution of a definitive agreement.

The proposed Qualifying Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of Policy 2.4 of the Exchange and, as such, shareholder approval is not required, unless otherwise required by the Exchange.

Sponsorship of a qualifying transaction of a capital pool company is required by the Exchange, unless exempt in accordance with Exchange policies. HWCC intends to apply for an exemption from sponsorship requirements; however, there is no assurance that HWCC will obtain this exemption.

HWCC and Payfare will complete the Qualifying Transaction by way of a share exchange, amalgamation, arrangement, share purchase, or other form of transaction which would result in Payfare becoming a wholly-owned subsidiary of HWCC or otherwise combine its corporate existence with a wholly-owned subsidiary of HWCC. Once the structure is determined, the LOI will be superseded by a definitive agreement between HWCC and Payfare, and the parties will announce the signing of such definitive agreement. Following completion of the Qualifying

Transaction, HWCC as the resulting issuer (the "**Resulting Issuer**") will hold all of Payfare's assets and conduct the business of Payfare.

Prior to, and as a condition of closing of the Qualifying Transaction and subject to Exchange approval, HWCC will consolidate its outstanding shares (the "**Consolidation**") on the basis of 1.580113 pre-Consolidation common shares for one post-Consolidation common share (a "**Post-Consolidation Share**"). The Resulting Issuer also expects to change its name to "Payfare Corp." or such other similar name approved by the directors of HWCC and Payfare and acceptable to the applicable regulatory authorities.

Pursuant to the Qualifying Transaction each outstanding common share of Payfare (a "**Payfare Share**") will be exchanged for one Post-Consolidation Share of Resulting Issuer. All outstanding convertible securities of Payfare will be replaced by convertible securities of the Resulting Issuer on a post-Consolidation basis.

Completion of the Qualifying Transaction with Payfare is subject to a number of conditions including but not limited to, due diligence, Exchange acceptance, completion of minimum of \$5,000,000 Financing (as defined below) and completion of the Consolidation. There can be no assurance that the Qualifying Transaction with Payfare will be completed as proposed or at all.

## **Operations Highlights**

The Corporation's net loss totaled \$265,156 for the year ended January 31, 2018 (2017 - \$37,776), with basic loss per share of 0.043 (2017 - \$0.06), and diluted loss per share of \$0.043 (2017 - \$0.06). Activities for the year ended January 31, 2018 principally involved stock-based compensation of \$191,019, professional fees of \$48,215, and TSXV fees and others of \$25,922. [2017 – professional fees of \$21,571 and TSXV fees and others of \$16,205]

## **Financial Highlights**

### ***Financial Performance***

The Corporation's total assets at January 31, 2018 were \$1,123,588 (January 31, 2017 - \$127,668) against total liabilities of \$61,495 (January 31, 2017 - \$17,944). The increase in total assets of \$995,920 resulted from proceeds from share issuance in IPO. The Corporation has sufficient current assets to pay its existing liabilities of \$61,495 at January 31, 2018 and meet its objective of completing a Qualifying Transaction.

### ***Cash Flow***

At January 31, 2018, the Corporation had working capital of \$1,062,093, compared to working capital of \$109,724 at January 31, 2017. The Corporation had cash of \$1,123,588 at January 31, 2018 compared to \$97,668 at January 31, 2017. The increase in working capital and in cash is primarily due to proceeds from share issuance in IPO.

## **Liquidity and Financial Position**

At January 31, 2018, the Corporation had working capital of \$1,062,093. 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 January 31, 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 year ended January 31, 2018, the Corporation did not enter into transactions with related parties, and no remuneration was paid to directors or officers of the Corporation.

## **Subsequent Events**

### **Subscription Receipt Financing**

In conjunction with the Qualifying Transaction, Payfare and HWCC entered into an engagement letter on April 9, 2018 to conduct a brokered private placement (the "Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a minimum of \$5,000,000 and a maximum of \$12,000,000 through the issuance of subscription receipts of Payfare ("Subscription Receipts"). The Subscription Receipts will be offered at a price to be determined in the context of the market currently expected to be \$0.65 per Subscription Receipt. Upon satisfaction of the escrow release conditions, including all conditions precedent to the Qualifying Transaction being satisfied, each Subscription Receipt will automatically convert without any further action on the part of the holder into one unit of Payfare (a "Unit") immediately prior to completion of the Qualifying Transaction. Should the escrow release conditions not be satisfied on or before a certain date which is currently contemplated to be the 120th day after closing of the Financing, the Subscription Receipts will be

cancelled and all proceeds from the sale of Subscription Receipts will be returned to the subscribers.

Each Unit will be comprised of one Payfare Share and one Payfare warrant, with each Payfare warrant entitling the holder to acquire one Payfare Share, at \$1.25 per share for a period of 24 months after completion of the Qualifying Transaction. On completion of the Qualifying Transaction, each Unit will be exchanged for one Post-Consolidation Share of the Resulting Issuer and one warrant of Resulting Issuer with each warrant entitling the holder to acquire one Post-Consolidation Share at \$1.25 per share for a period of 24 months after completion of the Qualifying Transaction.

### **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.

#### Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a Qualifying Transaction within the 24 months of the date of listing or if the Corporation fails to meet initial listing requirements of the Exchange upon Completion of the Qualifying Transaction. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against the Corporation. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Corporation held by Insiders. Trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required.

#### Securities Regulatory Authorities or the Exchange May Not Approve a Qualifying Transaction

Completion of a Qualifying Transaction is subject to a number of conditions including approval of the Prospectus by the securities regulatory authorities, acceptance by the Exchange and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval as such terms are defined in Policy 2.4.

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction; the securities regulatory authorities or the Exchange may not approve a Qualifying Transaction:

- (a) if the Corporation fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the Exchange upon Completion of the Qualifying Transaction;

- (b) if, following Completion of the Qualifying Transaction, the Corporation will be a finance company or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Corporation in connection with the Qualifying Transaction is not acceptable to the Exchange; or
- (d) for any other reason at the sole discretion of the securities regulatory authorities or the Exchange.

#### Approval by the Majority of the Minority

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares.

#### Dilution

If the Corporation issues treasury shares to finance acquisition or participation opportunities, control of the Corporation may change and subscribers may suffer dilution of their investment.

#### Directors and Officers

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Corporation may be exposed to liability and its ability to achieve its business objectives may be impaired.

#### Reliance on Management

The Corporation is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Corporation is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Corporation.

#### Critical Accounting Estimates

The preparation of the audited financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The audited financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

## **Financial Instruments Fair Values**

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

### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

### *Interest Rate Risk*

The Corporation is not exposed to any significant interest rate risk.

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

## **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 year ended June 30, 2017 are indicative of a Capital Pool Company that has not yet commenced business operations. At year 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 LOI with Payfare. The Corporation believes that the share exchange and the Financing contemplated by the LOI meet the policies of the Exchange for a qualifying transaction and represents a bona fide business model for the Corporation.

## **Share Capital**

As of January 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 January 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.