

**HOPE WELL CAPITAL CORP.**

**(A CAPITAL POOL COMPANY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") is dated May 31, 2019 unless otherwise indicated and should be read in conjunction with the audited consolidated financial statements of Hope Well Capital Corp. ("HWCC" or the "Corporation") for the year ended January 31, 2019 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, 2019, 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, 2019, 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. 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 suspended the trading of the Corporation's common shares on May 10, 2019 as the Corporation did not meet these requirements and may de-list the Corporation's common shares from trading.

The Corporation has not commenced commercial operations and has no assets other than cash. 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, 2019, 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 was intended to constitute HWCC's qualifying transaction under the policies of the Exchange (the "**Qualifying Transaction**").

### **Terminated Proposed Qualifying Transaction**

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, had entered into an amalgamation agreement dated July 27, 2018, as amended and restated on September 27, 2018 (the "**Original Amalgamation Agreement**") with Payfare, to provide for the completion of a business combination with the Corporation (the "**Transaction**"), as more particularly described below. The proposed Transaction and the Offering (as defined below) were initially announced in the Corporation's press release dated November 20, 2017, indicating that the Corporation and Payfare had entered into a letter of intent in respect of the Transaction.

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

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

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 had not been closed on or before December 31, 2018, the consolidation ratio for the Corporation's shares would be reduced. The Amalgamation Agreement was further amended and was terminated by Payfare subsequent to year end as set out in "Subsequent Events" below.

## **Operations Highlights**

The Corporation's net loss totaled \$315,693 for the year ended January 31, 2019 (2018 - \$265,156), with basic loss per share of 0.051 (2018 - \$0.057), and diluted loss per share of \$0.051 (2017 - \$0.057). Activities for the year ended January 31, 2019 principally involved professional fees of \$264,223, and TSXV fees and others of \$51,470 (2018 – professional fees of \$48,215, stock-based compensation of \$191,019 and TSXV fees and others of \$25,922).

## **Financial Highlights**

### ***Financial Performance***

The Corporation's total assets at January 31, 2019 were \$865,296 (January 31, 2018 - \$1,123,588) against total liabilities of \$118,896 (January 31, 2018 - \$61,495). The decrease in total assets of \$258,292 resulted from expenditures on professional services and TSXV filing fees. The Corporation has sufficient current assets to pay its existing liabilities of \$118,896 at January 31, 2019 and meet its objective of completing a Qualifying Transaction.

### ***Cash Flow***

At January 31, 2019, the Corporation had working capital of \$746,400, compared to working capital of \$1,062,093 at January 31, 2018. The Corporation had cash of \$865,296 at January 31, 2019 compared to \$1,123,588 at January 31, 2018. The decrease in working capital and in cash is primarily due to expenditures on professional services and TSXV filing fees.

## **Liquidity and Financial Position**

At January 31, 2019, the Corporation had working capital of \$746,400. 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, 2019, 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, 2019, the Corporation did not enter into transactions with related parties, and no remuneration was paid to directors or officers of the Corporation.

### **Subsequent Events**

On March 6, 2019 the Exchange conditionally approved the listing of the resulting issuer on closing of the reverse takeover Transaction between the Corporation and Payfare.

As of March 4, 2019, the Corporation and Payfare entered into a second amended and restated amalgamation agreement (the "**Amalgamation Agreement**") further amending the Original Amalgamation Agreement with respect to the Transaction by providing for the additional financings Payfare proposes to undertake in satisfaction of the Exchange's conditions.

On March 15, 2019, the Corporation received an email notice from Payfare with a copy of a non-binding letter of intent from an unidentified party to purportedly acquire all outstanding securities of Payfare for a cash and stock transaction (the "**Alternative Offer**"). Payfare claimed that the Alternative Offer was a "Superior Merger Proposal" under the Amalgamation Agreement and terminated the Transaction with the Corporation on March 27, 2019.

The Corporation disputed Payfare's claims and believed that Payfare's termination of the Transaction constitutes a breach of the Amalgamation Agreement by Payfare. The Corporation has commenced a legal action against Payfare with respect to Payfare's non-compliance with the Amalgamation Agreement claiming, among other things, breach of contract, seeking damages including expenses incurred by the Corporation in connection with the Transaction with Payfare.

The Corporation's shares resumed trading on the Exchange on April 9, 2019. It will seek a new target for its qualifying transaction in accordance with the rules of the Exchange.

On May 10, 2019 the Exchange suspended trading of the Corporation's shares in accordance with the Exchange policy as the Corporation did not complete a qualifying transaction by May 9, 2019,

which was two years from listing on the Exchange. The trading of the Corporation's shares on the Exchange will remain suspended until the Corporation completes a qualifying transaction, or the applicable Exchange's policy has been amended. The Corporation will seek shareholder approval for transferring the listing of the Corporation's shares on the NEX board of the Exchange and for cancelling 50% of the founder shares of the Corporation issued prior to the Corporation's initial public offering.

### **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, 2019, the Corporation's financial instruments consisted of cash, accounts payable 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 January 31, 2019 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.

Payfare terminated the Transaction on March 27, 2019, and the Corporation has commenced a legal action against Payfare for, among other things, breach of contract, seeking damages including expenses incurred in connection with the Transaction with Payfare. The legal action against Payfare poses additional risk to the Corporation.

## **Share Capital**

As of January 31, 2019, 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, 2019, 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.