

## GERMINATE CAPITAL LTD.

### MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2021

#### OVERVIEW AND INTRODUCTORY COMMENT

Germinate Capital Ltd. (the “Company” or “Germinate”) is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is 10th Floor, 595 Howe Street, Vancouver, BC, V6C 2T5.

Since incorporation, the Company's sole activity has been the preparation of a prospectus to become listed on the TSX Venture Exchange (the “Exchange”) as a “Capital Pool Company” as defined in the Exchange's Listing Policy 2.4.

The Company completed its initial public offering on April 20, 2021 (see “*Initial Public Offering*” section below) and began trading on the Exchange on April 22, 2021 under the trading symbol “GCAP.P”.

As a Capital Pool Company, the principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange. Until the completion of such a Qualifying Transaction (“QT”), as defined under Exchange Listing Policy 2.4, the Company will not carry on any business other than the identification and evaluation of assets or businesses in this connection. The Company does not have business operations or assets other than cash, and has no written or oral agreements for the acquisition of an asset or business at this time. On July 9, 2021, the Company announced its QT (see “*Acquisition of Beacon Hill Innovations Ltd.*” section below) and the trading of its common shares on the Exchange was halted.

This MD&A is dated October 26, 2021 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed interim financial statements and the related notes for the nine months ended August 31, 2021 and the Company's audited financial statements for the period ended November 30, 2020 and the related notes thereto.

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

#### MAJOR INTERIM PERIOD OPERATING MILESTONES

##### Initial Public Offering

On April 20, 2021, the Company announced that it had completed its initial public offering (the “Offering”). The Company issued an aggregate of 2,500,000 common shares in the capital of the Company (each, a “Common Share”) to purchasers in British Columbia and Alberta at a purchase price of \$0.10 per Common Share for gross proceeds to the Company of \$250,000. Following the closing of the Offering, a total of 4,800,000 Common Shares are issued and outstanding, of which 2,300,000 are currently held in escrow pursuant to the policies of the Exchange.

The net proceeds of the Offering, together with the proceeds from prior sales of Common Shares, are used by the Company to identify and evaluate assets or businesses for acquisition with a view to completing a QT under the Exchange's Capital Pool Company program.

Echelon Wealth Partners Inc. (the “Agent”) acted as agent for the Offering. In connection with the Offering, the Company granted to the Agent non-transferable options to acquire up to an aggregate of 250,000 Common Shares (the “Agent's Options”). Each Agent's Option is exercisable to acquire one Common Share at a price of \$0.10 per Common Share until April 20, 2026. The value of the Agent's Warrants was determined to be \$7,370 and was calculated using the Black-Scholes option pricing model. In connection with the Offering, the Agent also received a cash commission of \$25,000, along with a

corporate finance fee of \$15,000, and was reimbursed for their legal fees and reasonable expenses totaling \$16,846. The Company also incurred another \$19,250 share issue costs.

#### Acquisition of Beacon Hill Innovations Ltd.

On September 17, 2021, the Company entered into a definitive share exchange agreement dated September 14, 2021 (the "Definitive Agreement"), with Beacon Hill Innovations Ltd. ("Target" or "BEACN") and the shareholders of Target, pursuant to which Germinate will acquire all of the issued and outstanding securities of Target (the "Transaction"). BEACN was incorporated under the Business Corporations Act (British Columbia) on February 7, 2020 and is a streaming and gaming technology products company based in Victoria, B.C.

The terms of the Transaction are as follows:

- Germinate will acquire all of the issued and outstanding common shares of Target (the "Target Shares") through the issuance of 32,151,003 common shares in the capital of the Company (the "Shares"), pursuant to which Target will become a wholly-owned subsidiary of Germinate. Germinate will be renamed as "BEACN Wizardy & Magic Inc." (the "Resulting Issuer") upon completion of the Transaction and the new trading symbol will be "BECN".
- Germinate proposes to raise \$2 million through a Private Placement and a Note (together known as Concurrent Offering) (all terms as defined herein). Upon completion of the Transaction and the closing of the Concurrent Offering, the Resulting Issuer will have approximately 43,617,670 Shares issued and outstanding.

On September 23, 2021, the Company completed a non-brokered private placement of subscription receipts (the "Subscription Receipts") of the Company at a price of \$0.30 per Subscription Receipt for gross proceeds of \$1,500,000 (the "Private Placement"), with each Subscription Receipt automatically convertible for no additional consideration into one unit of the Company (a "Unit") upon satisfaction of the Escrow Release Conditions (as defined below).

Each Unit will be comprised of one Share and one-half of one Share purchase warrant (each full warrant, a "Warrant"). Each Warrant will be exercisable to acquire one Share at a price of \$0.60 per Share for a period of two years from the date of issuance.

The Escrow Release Conditions consist of (i) all conditions to the Exchange's conditional approval of the Transaction having been satisfied or waived; (ii) all conditions to the Exchange's conditional approval for the listing of the Shares to be issued pursuant to the Concurrent Offering and the Shares underlying the Warrants having been satisfied or waived; and (iii) the closing of the transactions contemplated by the Definitive Agreement.

Germinate expects to pay to certain arm's length finders an aggregate cash finder's fee in connection with the Private Placement of \$23,243 and issue 77,475 non-transferrable warrants ("Finder Warrants") upon the closing of the Transaction. Each Finder Warrant will entitle the holder to acquire one Share at a price of \$0.30 for a period of two years from the date of issuance.

The Private Placement is subject to final acceptance by the Exchange. All securities issued pursuant to the Private Placement, including securities underlying the Subscription Receipts and Finder Warrants, will be subject to a four month hold period from the date of issuance.

On September 14, 2021, Germinate arranged a \$500,000 convertible note (the "Note", together with the Private Placement, the "Concurrent Offering") which was issued by BEACN so that the funds were available to BEACN immediately. Upon closing of the Transaction, the Note will be convertible into the Units of Germinate under the same terms as the Private Placement for a term of 18 months (the "Maturity Date"). Should the Transaction not close for any reason before the Maturity Date, the Notes will be convertible into Target Shares at a price equal to BEACN's most recent financing at the time of such conversion, or be repaid in full.

On October 8, 2021, the Company received the conditional approval of the Transaction and the Concurrent Offering by the Exchange.

On October 25, 2021, the Company announced that it filed the filing statement with the Exchange. Assuming that all conditions for closing are satisfied, the Company expects to close the Transaction on or about October 29, 2021. The Company also announced that in connection of the Transaction, it will change its name to BEACN Wizardry & Magic Inc. and the trading symbol will change to BECN, both subject to the approval of the Exchange.

## **INTERIM PERIOD FINANCIAL CONDITION**

### Capital Resources

On March 23, 2021, the Company closed a financing of 300,000 common shares at a price of \$0.05 per share for gross proceeds of \$15,000.

On April 20, 2021, the Company completed its Offering (see “*Initial Public Offering*” section above) and upon completion of the Offering, the Company granted 450,000 stock options with an exercise price of \$0.10 expiring on April 20, 2031 to its directors and officers.

On September 23, 2021, the Company completed the Subscription Receipts Private Placement (see “*Acquisition of Beacon Hill Innovations Ltd.*” section above).

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company’s current treasury and the future cash flows from equity issuances and the potential exercise of finders’ warrants and options to be issued and granted upon the closing of the initial public offering will allow its efforts to continue throughout 2021. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

### Liquidity

As at August 31, 2021, the Company had working capital of \$476,975 (November 30, 2020 – \$82,005). As at August 31, 2021, cash totaled \$504,483, an increase of \$435,238 from \$69,245 as at November 30, 2020. The increase was due to net proceeds received from share issuances of \$451,454 while being offset by operating expenses of \$16,216.

### Operations

#### **For the nine months ended August 31, 2021 compared with the period from incorporation on August 14, 2020 to November 30, 2020:**

The Company incurred losses of \$71,630 (\$0.02 loss per share) and \$17,995 (\$0.04 loss per share) respectively during the nine months ending August 31, 2021 and for the period from incorporation on August 14, 2020 to November 30, 2020.

Excluding the non-cash share-based compensation of \$15,146 (2020 – \$Nil), the Company’s general and administrative expenses amounted to \$56,484 (2020 - \$17,995), an increase of \$38,489. The change in the expenses was mainly due to increases in: (a) accounting fees (2021 - \$24,415; 2020 - \$Nil); (b) legal fees (2021 - \$26,426; 2020 - \$2,490) and (c) listing fees (2021 - \$5,588; 2020 - \$Nil) as the Company prepared to go public as well as completing its QT and Concurrent Offering. These increases were offset by decreases in: (a) professional fees (2021 - \$Nil; 2020 - \$15,000) and (b) rent (2021 - \$Nil; 2020 - \$500).

#### **For the three months ended August 31, 2021 compared with the period from incorporation on August 14, 2020 to November 30, 2020:**

The Company incurred losses of \$28,568 (\$0.01 loss per share) and \$17,995 (\$0.04 loss per share) respectively during the three months ending August 31, 2021 and for the period from incorporation on August 14, 2020 to November 30, 2020.

The Company's general and administrative expenses amounted to \$28,568 (2020 - \$17,995), an increase of \$10,573. The change in the expenses was mainly due to increases in: accounting fees (2021 - \$8,000; 2020 - \$Nil) and (b) legal fee (2021 - \$20,553; 2020 - \$2,490) as the Company incurred some upfront costs for the QT and Concurrent Offering.

## SIGNIFICANT RELATED PARTY TRANSACTIONS

| Amounts due to:   | Service                                   | Nine months ended August 31, 2021 | For the Period from Incorporation on August 14, 2020 to November 30, 2020 | Balance due           |                         |
|---|---|-----------------------------------|---|-----------------------|-------------------------|
|   |   |                                   |   | As at August 31, 2021 | As at November 30, 2020 |
| Pacific Opportunity Capital Ltd., a company controlled by Mark T. Brown, a director | Accounting, management, and rent services | \$ 19,415                         | \$ 500  | \$ 12,075             | \$ 525                  |
| <b>TOTAL:</b>   |   | <b>\$ 19,415</b>                  | <b>\$ 500</b>   | <b>\$ 12,075</b>      | <b>\$ 525</b>           |

Amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment. The changes during the period were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

## COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

As of the date of the MD&A, the Company does not have any commitments, expected or unexpected, or uncertainties.

## RISK FACTORS

In our prospectus filed on SEDAR on February 16, 2021 in connection with our initial public offering, we have set out our discussion of the risk factors which we believe are the most significant risks faced by Germinate. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data as at August 31, 2021:

|   | Issued and outstanding |                  |
|---|------------------------|------------------|
|   | August 31, 2021        | October 26, 2021 |
| Common shares outstanding               | 4,800,000              | 4,800,000        |
| Subscription Receipts <sup>(1)</sup>    | -                      | 5,000,000        |
| Stock options                           | 450,000                | 450,000          |
| Finder's Warrants                       | 250,000                | 250,000          |
| Fully diluted common shares outstanding | 5,500,000              | 10,500,000       |

<sup>(1)</sup> Upon the completion of the QT, each Subscription Receipt will be converted into one common share and one-half of one share-purchase warrant. There will also be 77,475 finder's warrants issued.

### **Cautionary Statements**

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.