



BEACN

BEACN WIZARDRY AND MAGIC INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the nine months ended September 30, 2022

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") for BEACN Wizardry and Magic Inc. (formerly Germinate Capital Ltd.) TSXV: BECN ("BEACN" or the "Company") has been prepared based on information known to management as of November 29, 2022.

This MD&A is intended to help the reader understand, and should be read in conjunction with, the unaudited condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2022 and the audited consolidated financial statements and related notes for the year ended December 31, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

Additional information relating to the Company is available on the SEDAR website, www.sedar.com, under BEACN Wizardry & Magic Inc.

FORWARD LOOKING STATEMENTS

Cautionary Note Regarding Forward-Looking Information

This release includes certain statements and information that may constitute forward-looking information within the meaning of applicable Canadian securities laws. All statements in this news release, other than statements of historical facts, including statements regarding future plans, objectives, timing, assumptions, or expectations of future performance, including without limitation, BEACN's belief there will be growth in sales and continued improvement in gross profit are forward-looking information. Generally, forward-looking statements and information can be identified by the use of forward-looking terminology such as "intends" or "anticipates", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would" or "occur".

Forward-looking statements are based on certain material assumptions and analysis made by the Company and the opinions and estimates of management as of the date of this press release, including the Company's ability to maintain manufacturing volume for its products and

its ability to sustain sales of products to customers, that general economic and market conditions will not change in an adverse manner, political and regulatory stability, stability in financial and capital markets and that the Company's operations will not be adversely impacted by COVID-19.

These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Important factors that may cause actual results to vary, include, without limitation (a) supply chain disruption that may lead to a shortage of inventory for sale; (b) economic or other factors beyond the control of the Company that may influence the purchasing behavior of customers; (c) public health crises such as the covid-19 pandemic may adversely impact the Company's business and operations; (d) the volatility of global capital markets; (e) unanticipated costs; and (f) risks relating to the extent and duration of the conflict in eastern Europe and its impact on global markets. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The Company does not undertake to update any forward-looking statement or forward-looking information, except in accordance with applicable securities laws.

Forward looking statements that may have been made in this MD&A include:

- Budgets or estimates with respect to future activities;
- Estimates of how long the Company expects its working capital to last;
- Expectations regarding the ability to raise capital if required;
- Ability to continue supplying tech peripherals for content creators on the internet; and
- Management expectations of future activities and results.

RECENT ACTIVITIES AND OUTLOOK

After launching sales of the BEACN Mic, Mix and Mix-Create on January 31, 2022, the Company is pleased with its continued sales, achieving over \$3.5 million in sales revenue for the nine months ended September 30, 2022.

There was a sales surge, as expected, accompanying the release of the three new products, and as previously reported, the Company's cost of sales were higher than desired due to high shipping costs as BEACN refines shipping and logistics, especially with respect to sales in the UK and the EU. The Company now has warehouse facilities in the UK and will soon have the same in Poland to server the EU.

For the nine months ended September 30, 2022, the Company achieved sales revenue of \$3,534,994 (2021 - \$nil) gross profit of \$1,498,681 (42.40%) (2021 - \$nil) and net income of \$240,156 (2021 - loss of \$660,320). Net income includes a SRED tax credit of \$272,275, net of professional fees related to the tax credit (2021 - \$243,021). Further information is available

from the Company's interim financial statements for the period ended September 30, 2022 available under the Company's profile on SEDAR at www.sedar.com.

BACKGROUND AND OVERVIEW

BEACN Wizardry & Magic Inc. (formerly Germinate Capital Ltd.) ("BEACN" or the "Company") was incorporated and domiciled in Canada under the Business Corporations Act (British Columbia) as a "Capital Pool Company" as defined in the TSX Venture Exchange's (the "Exchange") Listing Policy 2.4. On October 29, 2021, the Company completed the share exchange transaction with Beacon Hill Innovations Ltd. ("Beacon") which constituted the Company's Qualifying Transaction ("QT"). Beacon was incorporated under the Business Corporations Act (British Columbia) on February 7, 2020. Upon completion of the QT, the Company began trading under its new name on the Exchange with the symbol "BECN" on November 2, 2021. Beacon Hill Innovations Ltd. is a wholly owned subsidiary of BEACN Wizardry & Magic Inc. and any reference herein to BEACN or Company includes Beacon.

The QT was completed by way of share exchange pursuant to which the Company acquired all of the issued and outstanding shares in the capital of Beacon Hill Innovations Ltd. in exchange for the issuance of 32,151,003 common shares in the capital of the Company to the former shareholders of Beacon. The Company also issued 3,150,000 stock options to directors, officers, employees and consultants of the Company, which can be exercised at a price of \$0.30 per share until October 29, 2026.

In connection with the QT, the Company completed a concurrent financing totaling \$1,500,000 and upon completion of the QT and the closing of the concurrent financing, the Company has 42,784,336 common shares issued and outstanding.

BEACN was founded to be a supplier of tech peripherals for Gamers, YouTubers, Podcasters, and anyone creating content on the internet. With sales beginning Jan 31, 2022, the Company has moved from the start-up phase to a company focused on both sales its products and continued research and development on concepts for additional products.

BEACN's founders have many years of experience with audio engineering and hardware manufacturing coupled with many years of experience and success in the streaming and gaming industry. In early 2020, they conceived of the idea to form a company focusing on the audio and technical needs of online content creators and gamers.

The Company has focused on creating solutions to resolve the pain points for these creators, including the quality of incoming audio via microphones and management of multiple audio sources coming from their computers. These new, innovative, and user-friendly products are now selling and BEACN expects to see broad adoption of these products in the quickly expanding content creator market.

BEACN's experienced team, familiar with audio engineering, created three innovative products: a microphone with powerful, built in, processing built to take the load of the users CPU and two audio controllers which give simplified high levels of control over audio without 3rd party software, complicated settings, or constant adjustment to changing Windows settings. Everything about BEACN's products is designed and engineered from the ground up, without off-the-shelf products or pre-existing software. BEACN components are created specifically for use in BEACN's products and are anticipated to be valuable components in future BEACN products.

Marketing and sales efforts began in early 2020, because an integral piece of BEACN's agile design and development approach includes ongoing communication with end-users to maximize the effectiveness of the Company's products. The first quarter results validate this strategy and Beacn remains in close contact with its end-users to further refine its new products and those still in development. The content "creator" space is large, with supporting computer/tech accessory sales in the billions of dollars and strong year-over-year growth. BEACN has followed an online marketing and sales strategy, for example:

- A Shopify-powered website, combined with modern, digitally connected third party logistics (3PL) allows the Company to provide products at competitive prices with comprehensive shipping, returns and customer service in nearly every market in the world, without having to manage employee overhead or maintain inventory in unnecessary locations. As various worldwide markets show growth, expansion of products into those markets can happen dynamically, resulting in reduced costs over the long term by only keeping inventory where it is necessary.
- Amazon is a strong sales channel for technology products that provides BEACN direct access to the millions of consumers who already utilize that platform. Utilizing BEACN's 3PL (ShipBob) to handle freight to Amazon's Fulfillment program (FBA) the Company is providing consumers with an Amazon Prime level customer experience in the United States, the European Union, and United Kingdom in the future.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

During the nine months ended September 30, 2022, 50,000 stock options expired unexercised.

On October 28, 2022, the Company received \$11,250 upon exercise of stock options.

During the nine months ended September 30, 2022, 650,000 stock options were granted to directors, employees, and consultants at an exercise price range of \$0.265 and \$0.35 per share and can be exercised within 5 years following the grant date.

On November 29, 2022, the Company completed a non-brokered private placement by issuing 5,600,000 units (the "Units") at a price of C\$0.25 per Unit for gross proceeds of \$1,400,000. Each Unit will be comprised of one common share (a "Share") and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional Share for a period of three years from the closing of the offering for \$0.45. In connection with the financing, the Company paid \$47,875 as a cash finder's fee and issued 191,100 as finders' warrants.

Due to the Company's current treasury and the expected cash flows from future product sales management anticipates there will be sufficient cash flow for its efforts to continue as planned throughout 2022. If the market conditions change, or BEACN wishes to enhance its growth, the Company may make adjustment to budgets accordingly and may consider additional equity financings.

Liquidity

As at September 30, 2022, the Company's working capital was \$3,123,915 (December 31, 2021 - \$2,732,708). Cash totaled \$728,455 as at September 30, 2022, a decrease of \$1,311,060 from \$2,039,515 as at December 31, 2021. The decrease was due to investing activities of \$44,313, operating activities of \$1,257,226, and financing activities of \$9,521.

As of the date of this MD&A, the Company has an outstanding promissory note of \$275,000 with a shareholder of the Company with a maturity date of December 31, 2024. The Note was without interest until December 31, 2020, and thereafter incurs interest at a rate of 4% per annum, payable quarterly. The Company can repay all or part of the Note at any time without penalty. The Company also has an outstanding convertible loan of \$250,000 with a shareholder of the Company with a maturity date of April 29, 2023. The Loan incurs interest at a rate of 5% per annum, payable quarterly.

Operations

For the nine months ended September 30, 2022 compared with the nine months ended September 30, 2021:

The Company commenced sales of its products on January 31, 2022 and grossed over \$3.53 million in sales during the three quarters. BEACN achieved net income of \$240,156 or \$0.01 per share compared to a loss of \$660,320 or a loss of \$0.02 per share respectively for the nine months ended September 30 2022 and 2021.

Excluding the non-cash share-based compensation of \$114,907 (2021 - \$Nil), amortization of \$83,652 (2021 - \$15,376), and depreciation of ROU asset of \$8,441 (2021 - \$Nil), the Company's operating income amounted to \$242,525 (2021 – loss of \$890,780), an increase of \$1,133,305. The change in the operations was mainly due to: increased product sales, net of cost of sales (2022 - \$1,498,681; 2021 - \$Nil), decreases in consulting and marketing fees (2022 - \$111,049; 2021 - \$146,970); and increased salary and benefits (2022 - \$744,092; 2021 - \$576,427).

RISKS AND UNCERTAINTIES

The risks and uncertainties below must be taken into account, as they may affect the Company's ability to achieve our strategic goals. Investors are therefore advised to consider the following items in assessing the Company's future prospects as an investment.

Future operations

The Company began generating revenue from sale of its products; however, future revenues are not guaranteed to be sufficient to meet operating and capital expenses and therefore the Company may continue to incur operating losses as it has since inception.

There is substantial doubt about the Company's ability to continue as a going concern as the continuation of the business may be dependent upon obtaining further financing, successful and sufficient market acceptance of current products and any new products that may be introduced, the continuing successful development of product and related technologies, and, finally, achieving and maintaining a profitable level of operations. The issuance of additional equity securities by the Company could result in a significant dilution in the equity interests of the current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

There are no assurances that the Company will be able to obtain further funds required for continued operations. The Company is pursuing various financing alternatives to meet its long-term financial requirements. There can be no assurance that additional financing will be available to the Company when needed or, if available, that it can be obtained on commercially reasonable terms. If the Company is not able to obtain the additional financing on a timely basis, it will be forced to scale down or perhaps even cease the operation of its business.

Supply chain interruptions

The Company is exposed to potential supply chain disruptions due to fire, flood, shipping delays, and ongoing pandemic and uncertainty with respect to events surrounding the Ukraine, affecting our contract manufacturing facility, suppliers, and warehouse. Interruptions in the supply chain may also lead to the Company's inability to secure the necessary parts to manufacture its products. Supply chain issues may lead to price fluctuations and this could cause our profits to decrease if we cannot pass along the extra cost to consumers.

Competition and technological obsolescence

The markets for the Company's products experience ongoing technological changes and the Company must compete with existing technology and service providers, new companies and advancing technologies. In order to remain fully competitive, the Company must continue to innovate and respond with advanced generations of software, products and services. The

inability to react in a timely fashion to technological and competitive changes could have a negative impact on the Company and its ability to attract and retain customers. Moreover, the highly competitive market in which the Company operates could cause the Company to reduce its prices and offer other favorable terms in order to compete successfully with its rivals. These practices could, over time, limit the prices that the Company can charge for its products. If the Company was unable to offset such potential price reductions from products, it could negatively impact the Company's profit margins and operating results.

Possible dilution to present and prospective shareholders

Business negotiations related to the Company's search for new business opportunities may result in the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of key personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

TRANSACTIONS WITH RELATED PARTIES

Amounts due to:	Service	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Balance due	
				As at September 30, 2022	As at December 31, 2021
Craig Fraser, officer	Salaries and benefits	\$ 84,665	\$ 72,942	\$ -	\$ -
Daniel Davies, officer and director	Salaries and benefits	84,665	72,942	-	-
Mark Brown, director	Expense reimbursement	-	-	-	1,838
Pacific Opportunity Capital Ltd., a company, Robert Doyle, CFO is a shareholder of	Accounting and management services	48,983	-	81,347	37,800
TOTAL:		\$ 218,313	\$ 145,884	\$ 81,347	\$ 39,638

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.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at September 30, 2022, the Company's share capital is \$5,744,667 representing 42,784,336 common shares.

As of the date of this MD&A, there are 48,384,336 common shares issued and outstanding. In addition, there are 4,087,500 incentive stock options and 9,035,241 warrants outstanding.

FINANCIAL INSTRUMENTS

The fair values of the Company's cash and accounts payable and accrued liabilities, due to related parties, convertible loan, and promissory note approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada; accordingly, the Company believes it is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at September 30, 2022, the Company had a cash balance of \$728,455 to settle current liabilities of \$312,930.

MANAGEMENT OF CAPITAL RISK

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

- the determination that the Company will continue as a going concern for the next year; and
- the determination that the functional currency of the Company is Canadian dollar.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all Company documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

INFORMATION ON THE BOARD OF DIRECTORS AND MANAGEMENT

Directors:

Daniel Davies
Kevin Alexander
Sarah Weber
Scott Christopher

Audit Committee members:

Scott Christopher (Chair), Sarah Weber, and Daniel Davies

Management:

Craig Fraser – Chief Executive Officer
Daniel Davies - President and Chief Technology Officer
Robert Doyle – Chief Financial Officer and Corporate Secretary