

**PONDEROUS PANDA CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

## **Introduction**

The following Management's Discussion and Analysis ("MD&A") is dated May 15, 2020 and should be read in conjunction with the audited financial statements of Ponderous Panda Capital Corp. ("Ponderous Panda" or the "Company") for the year ended December 31, 2019. Ponderous Panda prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Ponderous Panda common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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

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

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

## **Description of Business**

The Company was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 22, 2017. The Company completed an initial public offering ("IPO") of its common shares on April 27, 2018, and on May 2, 2018, its common shares began trading on the TSX Venture Exchange ("TSX-V" or the "Exchange"), under the symbol "PPCC.P". The Company is classified as a Capital Pool Company ("CPC"), as defined in the Exchange Policy 2.4. The Company's head office and registered records office address is Suite 2300, 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2.

The principal business of the Company is the identification and evaluation of material assets or businesses with a view to completing a transaction where the Company acquires significant assets, other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means.

As described in "Proposed Transaction" below, on August 26, 2019 the Company and Veridyne Power Corp. ("Veridyne") entered into a Letter of Intent ("LOI") whereby the Company and Veridyne intended to complete a business combination that would constitute the Company's Qualifying Transaction. The LOI expired on March 25, 2020 and the Company took the decision not to further extend it, thereby terminating the Proposed Transaction.

The Company's continuing operations are dependent upon its ability to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4, within 24 months of listing on the TSX-V. Any acquisition or investment proposed by the Company will be subject to regulatory approval.

## OVERALL PERFORMANCE AND SELECTED ANNUAL INFORMATION

	<b>As at and for the year ended December 31, 2019</b>	As at and for the year ended December 31, 2018	As at and for the year ended December 31, 2017
Loss and comprehensive loss	\$ 57,095	\$ 204,631	\$ 427
Basic and diluted loss per common share	\$ (0.03)	\$ (0.15)	\$ (0.00)
Cash used in operating activities	\$ (51,007)	\$ (116,014)	\$ (196)
Total assets	\$ 498,083	\$ 549,192	\$ 104,804

Loss and comprehensive loss for the year ended December 31, 2019 was \$57,095 compared to a loss and comprehensive loss of \$204,631 for the year ended December 31, 2018. The decrease in the loss and comprehensive loss is attributable to the fact that the Company was minimally active for the majority of the current period as it continued to search for a Qualifying Transaction, whereas for the year ended December 31, 2018, the Company incurred legal, audit and regulatory fees in connection with the Company's IPO. The Company began working on a Qualifying Transaction only towards the end of the current year, see "Proposed Transaction" below.

Cash used in operating activities for the year ended December 31, 2019, was \$51,007 as a result of the cash-based expenditures primarily comprising professional fees associated with a cancelled Qualifying Transaction. During the year ended December 31, 2018, the Company incurred greater cash-based expenditures in terms of professional fees, regulatory, and filing fees, which were more than offset by cash provided by financing activities of \$573,300 relating to shares issued pursuant to its IPO, less share issuance costs.

As at December 31, 2019, the Company had total assets of \$498,083 comprised exclusively of cash, compared to \$549,192 as at December 31, 2018 comprised of cash and nominal prepaid expenses. The decrease is attributable to the day to day operations of the Company and the use of cash to meet liabilities as they come due.

## DISCUSSION OF OPERATIONS

	<b>Year ended December 31, 2019 \$</b>	Year ended December 31, 2018 \$
Professional fees	41,142	87,224
Regulatory fees	6,108	12,034
Filing fees	8,376	33,276

Professional fees for the year ended December 31, 2019, were \$41,142 compared to \$87,224 for the year ended December 31, 2018. The decrease is the result of the Company being minimally active in the current period whereas during the year ended December 31, 2018, the Company incurred legal fees in connection with the preparation of the Company's preliminary and final prospectus with the closing of its IPO, as well as audit fees related to financial reporting requirements for the preliminary and final prospectus and IPO.

Filing fees, and regulatory fees for the year ended December 31, 2019 were \$6,108 and \$8,376 respectively, compared to \$33,276 and \$12,034 for the year ended December 31, 2018. The decrease can be explained for the same reasons as outlined above for professional fees.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

The Company utilizes existing cash and the issuance of equity instruments to provide liquidity to the Company. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The following table summarizes cash flows of the Company:

	Year ended December 31, 2019 \$	Year ended December 31, 2018 \$
Cash, beginning of year	549,090	89,804
Cash flows used in operating activities	(51,007)	(116,014)
Cash flows from financing activities	-	575,300
Cash, end of year	498,083	549,090

Working capital decreased to \$474,147 as at December 31, 2019, from a working capital of \$531,242 as at December 31, 2018. The decrease is attributable to the decrease in cash and an increase in accounts payable and accrued liabilities.

The following table shows the shareholders' equity of the Company:

	December 31, 2019		December 31, 2018	
Share capital	\$	640,300	\$	640,300
Reserves	\$	96,000	\$	96,000
Deficit	\$	(262,153)	\$	(205,058)
Total shareholders' equity	\$	474,147	\$	531,242

## FINANCIAL INSTRUMENTS

The Company's financial instruments with respect to fair value, and financial risk management are disclosed in Note 7 of the financial statements.

## SUMMARY OF QUARTERLY RESULTS

### Financial Quarter Ended (Unaudited)

	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	\$ 17,512	\$ 5,342	\$ 23,034	\$ 11,207
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Total assets	\$ 498,083	\$ 503,817	\$ 502,771	\$ 549,368
	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Revenue	\$ -	\$ -	\$ -	\$ -
Loss and comprehensive loss	\$ 38,938	\$ 26,526	\$ 87,290	\$ 51,877
Basic and diluted loss per share	\$ (0.03)	\$ (0.01)	\$ (0.04)	\$ (0.06)
Total assets	\$ 549,192	\$ 552,694	\$ 569,506	\$ 118,156

For the quarter ended December 31, 2019, professional fees increased as the Company conducted more detailed due diligence on the Proposed Transaction and accrued fees in relation to its audit. See "Proposed Transaction" below for further details.

For the quarter ended September 30, 2019 the Company identified a Qualifying Transaction target and commenced some limited work on the Proposed Transaction in July and August 2019 in relation to the evaluation of the target and due diligence work.

For the quarter ended June 30, 2019 the Company was minimally active as it was searching for a new Qualifying Transaction. During the quarter, the Company incurred fees associated with its 2018 audit, and fees associated with rent, and some minimal legal fees and transfer agent fees.

For the quarter ended March 31, 2019 the Company was minimally active as it was searching for a new Qualifying Transaction. The Company only incurred fees associated with rent and some minimal legal fees and transfer agent fees.

For the quarter ended December 31, 2018 the Company was minimally active as the Company's former proposed transaction with Trait Biosciences Inc. ("Trait") was terminated. The Company only incurred fees associated with rent and some minimal legal fees and transfer agent fees. The fair value of stock options granted to the officers and the directors of the company was re-evaluated in this period resulting in an increase to share based compensation from \$38,000 to \$71,000.

For the quarter ended September 30, 2018 the Company incurred costs associated with rent and legal fees, in connection with the preparation of the initial stages of its former proposed transaction with Trait.

For the quarter ended June 30, 2018 the Company incurred costs associated with rent, legal fees, audit fees and regulatory fees in connection with the closing of its IPO as a CPC.

For the quarter ended March 31, 2018 the Company incurred costs associated with rent, legal fees, audit fees and regulatory fees in connection with the preparation of its preliminary and final prospectus for its IPO as a CPC.

## **FOURTH QUARTER**

As noted above within “Summary of Quarterly Results,” for the quarter ended December 31, 2019, professional fees increased as the Company conducted more detailed due diligence on the Proposed Transaction and accrued fees in relation to its audit. Overall, the Company incurred approximately \$14,310 in professional fees, and approximately \$2,887 in regulatory fees during the three months ended December 31, 2019.

For the quarter ended December 31, 2018, the Company was minimally active as the Company’s former proposed transaction with Trait Biosciences Inc. (“Trait”) was terminated. The Company only incurred fees associated with rent and some minimal legal fees (approximately \$3,000 in professional fees) and transfer agent fees (approximately \$2,000 in regulatory fees). The fair value of stock options granted to the officers and the directors of the company was re-evaluated in this period resulting in an increase to share based compensation from \$38,000 to \$71,000.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## **PROPOSED TRANSACTION**

On August 26, 2019, the Company entered into a Letter of Intent (“LOI”), for the acquisition of Veridyne Power Corp. (“Veridyne”), a private company in the business of developing Solid Oxide Fuel Cell (“SOFC”) power generating units. The LOI was intended to facilitate a business combination that would constitute the Company’s Qualifying Transaction (the “Proposed Transaction”). The LOI expired on March 25, 2020 and the Company took the decision not to further extend it, thereby terminating the Proposed Transaction.

## **RISK FACTORS**

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline and prospective investors may lose part or all of their investment.

### ***No Operating History***

The Company was incorporated on March 27, 2017, has not commenced commercial operations, and has no assets other than cash. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. The Company has only limited funds with which to identify and evaluate potential acquisitions of a material asset or a business and there can be no assurance that the Company will be able to do so. Even if a Proposed Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

### ***Possible Trading Suspension or Delisting***

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 Company. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Company held by Insiders. Trading in the common shares of the Company may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required.

### ***Halt of Trading***

Upon public announcement of a potential Proposed Transaction, trading in the common shares of the Company will be halted and will remain halted until Completion of the Proposed Transaction, or sooner pursuant to Policy 2.4. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential Proposed Transaction.

### ***Exchange May Not Approve a Qualifying Transaction***

Completion of a Proposed Transaction is subject to a number of conditions including 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 Proposed Transaction; the Exchange may not approve a Proposed Transaction:

- (a) if the Company fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the Exchange upon Completion of the Proposed Transaction;
- (b) if, following Completion of the Qualifying Transaction, the Company will be a finance company or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Company in connection with the Proposed Transaction is not acceptable to the Exchange; or
- (d) for any other reason at the sole discretion of 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 Proposed 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 Company of fair value for the common shares.

### ***Dilution***

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

### ***Directors and Officers***

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company 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 Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

### ***Reliance on Management***

The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Company 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 Company.

### ***Foreign Acquisition***

In the event the Company identifies a foreign business as a proposed transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company's critical accounting estimates and judgments are disclosed in Note 3 of the financial statements.

## **CHANGES IN ACCOUNTING POLICIES**

The Company adopted the following new accounting standards effective January 1, 2019:

- IFRS 16: *Leases*. A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model.

The Company has no leases and has therefore the adoption of this standard had no impact on the Company's financial statements.

- IFRIC 23: *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The adoption of this Interpretation had no impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards have been issued but are either not applicable or are not expected to have a significant impact on the Company's financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, professional fees included \$17,889 (2018 - \$64,817) for legal services rendered by a law firm owned by the Chief Executive Officer of the Company.

During the year ended December 31, 2019, there were no stock options granted by the Company to directors and officers of the Company. During the year ended December 31, 2018, the Company granted 306,500 stock options to directors and officers of the Company with a fair value of \$71,000.

## OUTSTANDING SHARE DATA

### Common shares

The following table sets forth the Company's outstanding share data:

Total common shares at December 31, 2019 and May 15, 2020	3,065,004
Total stock options at December 31, 2019 and May 15, 2020	306,500
Total warrants at December 31, 2019 and May 15, 2020	200,000
<b>Total diluted common shares at December 31, 2019, and May 15, 2020</b>	<b>3,571,504</b>

## CONTROLS AND PROCEDURES

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's financial reporting framework. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient

knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.