

ESSEX ANGEL CAPITAL INC.
Form 51-102F1

Management's Discussion & Analysis
For the nine months ended May 31, 2017

1.1 Introduction

Corporate structure and background

The following management's discussion and analysis ("MD&A"), prepared as of July 31, 2017, is a review of operations, current financial position and outlook for Essex Angel Capital Inc. (the "Corporation"). Additional information relevant to the Corporation's activities can be found on SEDAR at www.sedar.com. This MD&A should be read in conjunction with the Corporation's audited financial statements for the year ended August 31, 2016 and the unaudited condensed consolidated financial statements for the nine months ended May 31, 2017. Those financial statements were prepared in accordance with IFRS. Amounts are reported in Canadian dollars, unless otherwise specified.

The Corporation was incorporated on February 10, 2010 pursuant to the *Canada Business Corporations Act* and on February 17, 2017, the Company was continued into British Columbia under the *British Columbia Business Corporations Act*. The Corporation completed its initial public offering on December 7, 2010 and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "EXC". The Corporation's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Corporation's management, are intended to identify 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 Corporation 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. The Corporation does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

Risks and Uncertainties

The Corporation has no material assets other than cash and investments. It does not have a history of earnings, nor has it paid any dividends, and may never pay dividends. Readers should refer to the risk factors disclosed in the Corporation's Filing Statement dated July 6, 2011 filed on SEDAR.

Additional Risk Factors

In addition to the risk factors disclosed in the Corporation's Filing Statement, there are risks relating to the reported value of the Corporation's investments. As described in Notes 3 and 9 to the unaudited interim condensed financial statements, although the Corporation's active investments (as at May 31, 2017) are comprised mostly of publicly traded shares, there is no guarantee that the market would be able to absorb sale of the number of shares held by the Corporation without a drop in the share price, should the Corporation attempt to realize its investments within a very short timeframe. The reported fair value does not necessarily reflect the value that would be obtained should the Corporation sell its investments in an arm's-length transaction.

1.2 Overall Performance

The Corporation was incorporated under the *Canada Business Corporations Act* on February 10, 2010. On December 7, 2010, the common shares of the Company began trading on the TSX-V under the ticker symbol "EXC.P". On July 15, 2011, the Corporation completed its Qualifying Transaction and is now listed on the TSX-V as a Tier 2 Investment Issuer. Pursuant to the Qualifying Transaction, the Corporation entered into agreements to acquire debt securities of various companies.

During the nine months ended May 31, 2017, the Company has continued to make strategic investments on behalf of the investors of the Company.

1.3 Selected Annual Information

The following provides a summary of selected financial information, derived from the Company's audited financial statements for the years ended August 31, 2016, 2015 and 2014:

	Years ended August 31		
	2016	2015	2014
	\$	\$	\$
Total revenues	6,929	-	-
Net Income (loss) and income (loss) – total	948	98,211	(820,030)
Net income (loss) and comprehensive income (loss) – per share	0.00	0.01	(0.10)
Total assets	1,302,576	696,146	595,605
Total liabilities	323,484	216,702	214,372

The financial information presented in the table above for the years ended August 31, 2016, 2015 and 2014 are from the Company's financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency for all periods is Canadian dollars.

1.4 Summary of Quarterly Results

The following table summarizes information derived from the Corporation's financial statements for each of the Corporation's most recently completed eight quarters:

Quarter ended:	Total revenue (1)	Total net income (loss)	Earnings (loss) per share (actual and fully-diluted) (2)
May 31, 2015	\$-	(1,014,715)	(\$0.10)
August 31, 2015	\$10,814	(225,042)	(\$0.02)
November 30, 2015	\$-	817,974	\$0.08 ⁴
February 29, 2016	\$-	(936,348)	\$(0.09)
May 31, 2016	\$-	(16,022)	\$(0.00)
August 31, 2016	\$6,929	135,344	\$0.00
November 30, 2016	\$11,201	(194,368)	\$(0.01)
February 28, 2017	\$13,826	\$59,345	\$0.00
May 31, 2017	\$13,826	\$(152,504)	\$(0.00)

Notes:

(1) Excludes adjustments to fair value of investments.

(2) Based on weighted average shares outstanding in the relevant period, therefore total for each group of four quarters does not agree to annual total reported in relevant audited financial statements.

(3) Fully diluted \$0.08 per share.

(4) Fully diluted \$0.04 per share.

1.5 Results of Operations

Discussion of Operating Results - three months ended May 31, 2017

During the three months ended May 31, 2017, the Company recorded a loss of \$152,504 compared to a loss of \$16,022 during the three months ended May 31, 2016. The difference is primarily due to the adjustment of fair value of investments. During the current period, the Company recorded a loss of \$146,834, while in the previous year, the Company recorded a gain of \$13,742. Operating expenses in the current period decreased to \$16,175 from \$26,443 during the comparative period, the decrease was due to a reduction in general and administrative expenses as the Company conserves cash.

1.6 and 1.7 Liquidity and Capital Resources

At May 31, 2017, the Company had a working capital of \$160,525 with a cash balance of \$23,568. Not part of the calculation of its working capital is the Company's holdings of investments in publicly traded shares that are available for sale which had a market value of \$881,658 at May 31, 2017.

At August 31, 2016, the Company had working capital \$109,767 with a cash balance of \$82,072, the increase in the deficit being the result of the receipt of certain loans and subscription proceeds during the year. The Company's holdings of investments in publicly traded shares available for sale had increased to a market value of \$1,002,525 at August 31, 2016.

During the year ended August 31, 2016, the Company issued 25,000,000 units at \$0.02 per unit for proceeds of \$500,000. Each unit is comprised of one common share of the Company and one share purchase warrant which entitles the holder to acquire an additional common share of the Company at \$0.10 per share until July 4, 2021. Included in the issuance was 3,500,000 units issued to the Chief Executive Officer of the Company and his spouse for proceeds of \$70,000.

Ongoing working capital requirements are limited to those necessary to maintain the Company's ongoing public reporting obligations, and support the Company in its identification and completion

of further potential investment and fund raising opportunities. Should the Company not be able to attract additional debt or equity financing, management of the Company is able to raise funds as needed through sales from its investment portfolio.

The Corporation has not pledged any of its assets as security for loans or otherwise, and is not subject to any debt covenants.

1.8 Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the period ended May 31, 2017, the Company:

- (a) Incurred professional fees of \$3,938 (2015 - \$9,450) to the Chief Financial Officer of the Company.
- (b) During the year ended August 31, 2016, the Company issued 3,500,000 units at \$0.02 per unit for proceeds of \$70,000 to the Chief Executive Officer of the Company and his spouse.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount agreed upon by the transacting parties.

1.10 Other Events

None during the period

1.11 Changes in Accounting Policies

See Note 2 to the Corporation's audited financial statements for the year ended August 31, 2016 for a description of the Company's accounting policies and new accounting standards that have been issued but are not yet effective with respect to the Corporation's financial statements.

1.12 Financial Instruments and Other Instruments

At May 31, 2017, the Company's financial instruments consist of cash and cash equivalents, investments, accounts payable and accrued liabilities, and note payable. See the notes to the unaudited financial statements for the period ended May 31, 2017 for more information.

1.13 Additional Information Outstanding Share Data as at May 31, 2017 and the Report Date

Authorized

The Company is authorized to issue an unlimited number of Common Shares.

Issued and issuable under warrants or options

As at May 31, 2017	37,588,333	Common Shares issued and outstanding
	23,250,000	Issuable pursuant to outstanding warrants
	<u>400,000</u>	Issuable pursuant to outstanding options
	<u>61,238,333</u>	Fully diluted

As at July 31, 2017	37,588,333	Common Shares issued and outstanding
	23,250,000	Issuable pursuant to outstanding warrants
	<u>400,000</u>	Issuable pursuant to outstanding options
	<u>61,238,333</u>	Fully diluted

1.15 Officers and Directors

David Berg, CEO, Director
Christopher Cherry, CFO, Director
Julie Zhu, Director
Nick Watters, Director