

**ESG GLOBAL IMPACT CAPITAL INC.**  
**Form 51-102F1**

**Management's Discussion & Analysis**  
For the year ended August 31, 2021

**1.1 Introduction**

***Corporate structure and background***

The following management's discussion and analysis ("MD&A"), prepared as of December 29, 2021, is a review of operations, current financial position and outlook for ESG Global Impact Capital Inc. (the "Company"). Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2021. Those consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). Amounts are reported in Canadian dollars, unless otherwise specified.

The Company was incorporated on February 10, 2010 pursuant to the *Canada Business Corporation Act* and on February 17, 2017, the Company was continued into British Columbia under the British Columbia Business Corporation Act. The Company completed its initial public offering on December 7, 2010. On April 22, 2020 the Company changed its name to "ESG Global Impact Capital Inc.", and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "ESGW". The Company'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 Company'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 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. The Company 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***

***COVID-19***

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. It is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

***Liquidity Risk***

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Company may not be able to liquidate investments without a listed market for their securities, when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Company's investments and, consequently, the value of the shares of the Company.

## **Diversification Risk**

The aggregate returns realized by the Company may be substantially and adversely affected by the unfavourable performance of even a single investment. Accordingly, there can be no assurance that the Company will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Company to achieve its desired investment returns.

## **Capital Risk**

If the Company is unable to raise additional investment capital either through investment returns or new financing through securities offerings, then it will be limited in its ability to fulfill its investment objectives. This may adversely affect its long-term viability. To raise additional capital, the Company may have to issue additional shares which may dilute the interests of existing shareholders

## **Volatility Risk**

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors. Broad market fluctuations, as well as economic conditions generally and in the technology industry specifically, may adversely affect the market price of the common shares.

## **Additional Risk Factors**

As described in the notes to the audited consolidated financial statements, although the Company's active investments 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 Company without a drop in the share price, should the Company 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 Company sell its investments in an arm's-length transaction.

Readers should refer to the risk factors disclosed in the Company's Filing Statement dated July 6, 2011 filed on SEDAR.

### **1.2 Overall Performance**

The Company 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 Company completed its Qualifying Transaction and is now listed on the TSX-V as a Tier 2 Investment Issuer. Pursuant to the Qualifying Transaction, the Company entered into agreements to acquire debt and equity securities of various companies. On February 14, 2017 the Company was continued into British Columbia under the British Columbia Corporations Act. On April 22, 2020 the company changed its name to "ESG Global Impact Capital Inc." and is listed on the TSX-V under the symbol "ESGW".

During the year ended August 31, 2021, the Company has continued to make strategic investments on behalf of the shareholders of the Company.

### **1.3 Selected Annual Information**

The following provides a summary of selected financial information, derived from the Company's audited consolidated financial statements for the years ended August 31, 2021, 2020, and 2019:

	Years ended August 31		
	2021	2020	2019
	\$	\$	\$
Total revenues	5,997,320	2,026,425	25,793
Net income (loss) and comprehensive income	(1,298,886)	1,797,035	(3,811,682)
Net income (loss) per share – Basic	(0.04)	0.08	(0.17)
Net income (loss) per share – Diluted	(0.04)	0.07	(0.17)
Total assets	10,552,041	11,309,041	2,282,039
Total liabilities	962,439	428,053	370,051

The financial information presented in the table above for the years ended August 31, 2021, 2020, and 2019 are from the Company's consolidated 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 Company's consolidated financial statements for each of the Company's most recently completed eight quarters:

Quarter ended:	Total revenue	Total net income (loss)	Earnings (loss) per share (actual)	Earnings (loss) per share (fully-diluted)
November 30, 2019	\$6,451	\$(286,180)	\$(0.00)	\$(0.00)
February 29, 2020	\$6,451	\$(338,380)	\$(0.00)	\$(0.00)
May 31, 2020	\$8,834	\$256,056	\$0.00	\$0.00
August 31, 2020 *	\$2,004,689	\$1,428,531	\$0.06	\$0.06
November 30, 2020	\$10,446	\$1,374,441	\$0.08	\$0.08
February 28, 2021	\$8,871	\$2,590,041	\$0.08	\$0.08
May 31, 2021	\$4,211	\$(306,559)	\$(0.01)	\$(0.01)
August 31, 2021 *	\$5,973,792	\$(4,956,809)	\$(0.17)	\$(0.17)

\* Effective Q4 2021, the Company completed a review of the presentation of its statements of income (loss) and comprehensive income (loss) and it was determined that certain other income were more appropriately reflected as revenue to conform with the Company's stated business goal. Accordingly, comparative figure has been reclassified to conform with current year presentation.

#### 1.5 Results of Operations

##### ***Discussion of Operating Results - three months ended August 31, 2021***

Operating expenses in the current period increased to \$372,794 from \$255,453 during the comparative period. The decrease in expenses was due to:

- The Company incurred \$237,248 (2020 - \$47,146) in consulting fees, and the increase was a result of the Company expending more financial resources on sourcing new investments.
- The Company incurred relatively unchanged professional fees of \$80,879 (2020 - \$112,601) as there were greater legal fees incurred for agreements related to new business initiatives resulting from the Company's focus on ESG.
- The Company incurred share-based payment expense of \$Nil (2020 - \$37,812) as the Company did not grant any share-based compensation in the current period. In the past period the Company granted 1,249,999 stock options to officers, directors, and consultants.

## ***Discussion of Operating Results - twelve months ended August 31, 2021***

Operating expenses in the current period increased to \$890,697 from \$575,122 during the comparative period. The increase in expenses was due to:

- The Company incurred \$705,563 (2020 - \$132,577) in consulting fees, and the increase was a result of the Company allowing its current portfolio of investments to mature and expended more resources on sourcing new investments.
- The Company incurred professional fees of \$115,879 (2020 - \$141,601) as there were greater legal fees incurred for agreements related to termination of existing investment commitments pursued in the current year.
- The Company incurred share-based payment expense of \$Nil (2020 - \$207,231) as the Company did not grant any share-based compensation in the current year. In the past year the Company granted 1,249,999 stock options to officers, directors, and consultants.

During the year ended August 31, 2021, the Company recorded a net loss of \$1,298,886 compared to net income of \$1,797,035 during the year ended August 31, 2020. In addition to operating expenses, the Company recorded an unrealized gain due to the adjustment for the increase in the fair value of investments of \$2,961,091 (2020 – gain of \$3,266,409) due to improved performing markets. The Company also recorded a realized gain of \$2,324,762 (2020 - loss of \$1,272,184) for the sale of investments, gain on debt assignment of \$539,983 (2020 - \$Nil) and a recapture of loan of \$Nil (2020 – recapture of loans of \$357,500) on loan receivables due to management's assessment that various outstanding loan receivables did not meet the criteria for collectability in the prior years but was able to recover in the current year.

### **1.6 and 1.7 Liquidity and Capital Resources**

At August 31, 2021, the Company had a working capital of \$9,689,601 with a cash balance of \$55,657. At August 31, 2020, the Company had a working capital \$4,492,988 with a cash balance of \$932,982. The increase in working capital in fiscal 2020 was due to the fair value adjustments through profit and loss for new and existing investments during the year.

Included in the working capital mentioned above, the Company has holdings of investments in publicly traded shares and share purchase warrants, that are accounted for as fair value through profit and loss basis, which had a market value of \$9,422,352 (2020 - \$3,375,837).

During the year ended August 31, 2021, the Company received \$7,500 (2020 - \$576,734) from the issuance of common shares.

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

#### **Cash Used in Operating Activities**

During the year ended August 31, 2021, the Company used \$1,097,431 of cash for operating activities compared to \$689,301 during the year ended August 31, 2020. The increase in cash used for operating activities was due to the fact that the Company incurred significantly greater consulting costs in relation to sourcing investments and due to the Company allocating more capital to the acquisition of new investments \$6,570,135 relative to August 31, 2020 when it allocated \$1,604,195 to new investments. The Company received greater cash proceeds from the sales of investments (\$6,043,070 in 2021 compared to \$1,455,270 in 2020).

#### **Cash Provided by Investing Activities**

During the year ended August 31, 2021, the Company received \$148,298 in loan proceeds in 2021 (compared to \$Nil received in 2020).

### Cash Provided by Financing Activities

During the year ended August 31, 2021, the Company received \$71,808 of cash from financing activities as compared to \$584,914 during the year ended August 31, 2020. The decrease in cash from financing activities was due to the receipt of \$350,000 from the issuance of private placements and \$228,500 from the exercise of share purchase warrants in fiscal 2020.

### **1.8 Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **1.9 Transactions with Related Parties**

During the year ended August 31, 2021, the Company:

- (a) During the year ended August 31, 2021, the Company incurred professional fees of \$30,000 (2020 - \$30,000) to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at August 31, 2021 the Company had a payable of \$31,000 (2020 - \$1,000) to the company controlled by the CFO.
- (b) During the year ended August 31, 2021, the Company incurred consulting fees of \$30,000 (2020 - \$23,000) to the Chief Executive Officer of the Company. As at August 31, 2021, the Company had \$17,780 (2020 - \$nil) payable to the CEO.
- (c) During the year ended August 31, 2021, the Company incurred consulting fees of \$10,500 (2020 - \$10,500) to a company controlled by a director of the Company, which was outstanding as of August 31, 2021.

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 Company's audited consolidated financial statements for the year ended August 31, 2021 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 Company's consolidated financial statements.

### **1.12 Financial Instruments and Other Instruments**

At August 31, 2021, the Company's financial instruments consist of cash, loans receivable, investments, bank indebtedness, accounts payable and accrued liabilities, amounts due to related parties, and notes payable. See the notes to the audited consolidated financial statements for the year ended August 31, 2021 for more information.

### **1.13 Additional Information Outstanding Share Data as at August 31, 2021 and the Report Date**

#### Authorized

Authorized: Unlimited common shares without par value and 5,000,000 Series B redeemable convertible preferred shares with stated face value of \$10 per share, convertible at the option of the Company into common shares of the Company based upon either of the following options; redeem one dollar approximately every 180 days or a maximum of two dollar within a twelve month period.

#### Common Shares

As at August 31, 2021 and December 29, 2021, the Company had 29,517,761 common shares outstanding.

Stock Options

As at August 31, 2021 and December 29, 2021, the Company had 1,249,999 stock options outstanding.

Share Purchase Warrants

As at August 31, 2021 and December 29, 2021, the Company had 4,917,300 share purchase warrants outstanding.

Series B Preferred Shares

As at August 31, 2021 and December 29, 2021, the Company had 730,000 Series B preferred shares outstanding.

**1.14 Subsequent Events**

On October 22, 2021, subject to regulatory approval, the Company agreed to issue 1,307,692 common shares at a deemed price of \$0.1147 per share to settle an aggregate indebtedness of \$150,000 to an arm's length party.

**1.15 Officers and Directors**

Christopher Cherry, CFO, Director  
David Berg, CEO, Director  
Eugene Hodgson, Director  
Nick Watters, Director