

**PINEHURST CAPITAL II INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE PERIOD FROM THE DATE OF INCORPORATION ON JULY 13, 2018 TO  
DECEMBER 31, 2018**

**Background**

This management discussion and analysis (“**MD&A**”) for Pinehurst Capital II Inc. (“**Pinehurst**” or the “**Company**”) is prepared as at December 31, 2018 and is performed by management using information available as of April 30, 2019. We have prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A should be read in conjunction with the Company’s audited financial statements for the period from incorporation on July 13, 2018 to December 31, 2018, and the related notes thereto. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standard (“**IFRS**”). This MD&A complements and supplements, but does not form part of, the Company’s financial statements.

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Company overview**

The Company was incorporated on July 13, 2018 under the *Business Corporations Act* (Ontario) (“**OBCA**”) and is a capital pool company (“**CPC**”), as defined in TSX Venture Exchange (“**TSX-V**”) Policy 2.4 (“**Policy 2.4**”). The principal business of the Company as a CPC is the identification and evaluation of companies, businesses, properties, or assets for acquisition and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval (the “**Qualifying Transaction**” as defined by the TSX-V). The registered and head office address of the Company is 20 Holly Street, Suite 300, Toronto, Ontario, M4S 3B1.

The Company has not commenced commercial operations and has no assets other than cash. Until such time that a Qualifying Transaction is completed, the Company will have no significant revenue and will incur expenses primarily for Qualifying Transaction investigation, TSX-V listing and filing requirements, professional services and office facilities and administration, subject to certain restrictions under Policy 2.4.

As at December 31, 2018, the Company had issued 2,000,000 common shares at \$0.05 per share for total proceeds of \$100,000 (the “**Founder Shares**”).

On February 8<sup>th</sup>, 2019, the Company became a reporting issuer in the provinces of British Columbia, Ontario, and Alberta.

On April 10, 2019 the Company successfully completed its initial public offering (“**IPO**” or “**Offering**”) of 3,000,000 common shares at a price of \$0.10 resulting in gross proceeds of

\$300,000. M Partners Inc. (the “**Agent**”) acted as agent for the Offering. In connection with the Offering, the Agent received a cash commission of \$30,000, a corporate finance fee of \$20,000 and 300,000 compensation warrants (the “**Agent's Warrants**”). The Agent's Warrants will expire 24 months from the date the Company’s Common Shares are listed on the TSX-V. Upon completion of the Offering, the Company had 5,000,000 common shares issued and outstanding, of which, the Founder Shares were held in escrow pending the completion of a Qualifying Transaction in accordance with Policy 2.4. The Company has also granted stock options to acquire an aggregate of 500,000 Common Shares at an exercise price of \$0.10 per share to the directors and officers of the Company, which will expire 10 years from the date of grant. All common shares acquired on exercise of stock options granted to directors and officer prior to the completion of a Qualifying Transaction must also be deposited in escrow pending the completion of a Qualifying Transaction in accordance with Policy 2.4.

The Company’s common shares commenced trading on the TSX-V under the symbol “PINH.P” on April 16, 2019.

### **Forward-Looking Statements**

Certain statements contained in the in this MD&A constitute forward-looking statements. These statements relate to future events or the Company’s future performance. 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. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

### **Selected Financial Information**

	<b>December 31, 2018</b>
	\$
Total Assets	<b>105,211</b>
Total liabilities	<b>48,950</b>
Total shareholders’ equity	<b>56,261</b>
	<b>From Incorporation on July 13, 2018 to December 31, 2018</b>
	\$
Net loss for the period	<b>(43,739)</b>
<u>Basic and diluted loss per share</u>	<b><u>(0.00)</u></b>

The Company became a reporting issuer on February 8<sup>th</sup>, 2019, and as such, does not have quarterly financial information to report.

## **Results of Operations**

At December 31, 2018, the Company had no continuing source of operating revenues and related expenditures. The Company recorded a net loss of \$43,739 for the period ended December 31, 2018. Of this, the Company incurred \$32,000 for legal and accounting services, and \$11,739 are attributable to costs relating to the listing on the exchange.

## **Financial Condition including Cash Flows, Liquidity and Capital Resources**

The Company has financed its operations to date through the issuance of common shares. The Company may seek capital through various means including the issuance of equity and/or debt. As at December 31, 2018, the Company had cash on hand of \$88,261 to meet its obligations of \$48,950.

As a CPC, the Company's routine expenses are limited to general administrative costs such as TSX-V listing and filing fees, audit fees and accounting fees. When the Company has identified a potential Qualifying Transaction, additional legal or other transaction-related costs may be incurred, regardless of whether or not the transaction is ultimately completed.

It is uncertain as to when a Qualifying Transaction can be completed, but the Company's current cash balance is sufficient to pay its existing accounts payable and accrued liabilities, to maintain routine on-going operations and to investigate potential Qualifying Transactions for the next 12 months.

## **Related Party Transactions**

There was no remuneration paid to key management personnel during the period ended December 31, 2018.

During the period, Ilana Prussky, a Director and shareholder of the Company, paid \$16,950 on behalf of the Company related to a retainer for services by the Agent related to the IPO, which is recorded as a liability on the Company's balance sheet.

On April 10, 2019, the Company granted 500,000 stock options to directors and officers with an exercise price of \$0.10 per share and expiry date of April 12, 2029. The following is a breakdown of the stock options received by related parties:

- David Rosenkrantz: 125,000 common share purchase options;
- Ilana Prussky: 125,000 common share purchase options;
- Paul De Luca: 125,000 common share purchase options; and
- Tracy Graf: 125,000 common share purchase options.

## **Capital Management**

The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company includes equity, comprised of share capital, reserves and deficit, in the definition of capital.

Excluding the current liabilities, which relate to standard operating accounts payable, the Company's current capital is the result of the sale of common shares. The net proceeds raised to date are sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. However, additional funds may be required in the longer-term should the Company be unable to complete a Qualifying Transaction.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities or \$120,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under Policy 2.4.

## **Financial Instruments and Risk Management**

As at December 31, 2018, the Company's financial instruments comprise cash and accounts payable and accrued liabilities which are carried at amortized cost. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statement of financial position

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit Risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash held in trust.

### *Interest Rate Risk*

The Company is not exposed to any significant interest rate risk.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Company's liabilities. The \$32,000 of accounts payable and accrued liabilities are due within one year.

### **Outstanding Share Data**

As of the date of this MD&A, the Company has 5,000,000 common shares, 500,000 stock options and 300,000 warrants outstanding.

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

The Company has no off-balance sheet arrangements.

### **Critical Accounting Estimates and Judgments**

The Company's significant accounting policies are summarized in Note 2 to the audited financial statements for the period ended December 31, 2018.

### **Future Changes in Accounting Policies**

The following standards have been issued but do not apply:

#### IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company does not have any leases and therefore, the adoption of the above standard would not have an impact on its financial performance and financial statement disclosures. There are

additional new standards that have not been discussed as they are not expected to impact the Company.

### **Risks and Uncertainties**

The Company's objective is to identify and complete a Qualifying Transaction and until such time as it does so, the Company will not have a source of recurring income, commercial operations, significant assets other than cash and shall not generate earnings or pay dividends. Until the completion of a Qualifying Transaction, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

The closing of any proposed Qualifying Transaction is subject to a number of terms and conditions, including completion of due diligence procedures by parties to the transaction and receipt of all required regulatory approvals, and there is no assurance that a transaction will be completed.

Should the Company be unable to complete a Qualifying Transaction before its existing cash has been spent, it will require additional capital financing and there is no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If the Company does not complete a Qualifying Transaction within the time permitted by the TSX-V, its common shares could be delisted.

The Company's success depends to a certain degree upon key members of its management to identify a potential Qualifying Transaction. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

The proposed business of the Company and the completion of a Qualifying Transaction involves a high degree of risk and there is no assurance that the Company will identify an appropriate business for acquisition or investment, and even if so identified and warranted, it may not be able to finance such an acquisition or investment within the requisite time period.

These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

### **Conflict of Interest**

There are potential conflicts of interest to which all of the directors, officers, insiders and promoters of the Company will be subject in connection with the operations of the Company. All of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the search by the Company for businesses or assets in order to close a Qualifying Transaction. Accordingly, situations may arise where all of the directors, officers, insiders and promoters will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under the OBCA.

## **Corporate Governance**

TSX-V Policy 3.1 requires that the Company have an audit committee of at least three directors, the majority of whom are not employees, control persons or officers of the Company or any of its associates or affiliates. The audit committee will be responsible for overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

Given the current prescribed nature of the Company and its principal business being limited to identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction, it is anticipated that, prior to the Completion of the Qualifying Transaction, the only committee of the board of directors will be the audit committee.

The Company has appointed an audit committee consisting of the following three directors: David Rosenkrantz, Tracy Graf and Paul De Luca.