

# **ITOK CAPITAL CORP.**

(also referred to as “ITOK”, the “Corporation”, or the “Company”)

## **Management’s Discussion & Analysis**

The following management discussion and analysis should be read in conjunction with the financial statements 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”). Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar figures included therein and in the following discussion analysis are quoted in Canadian dollars unless otherwise noted.

### **Date**

This management’s discussion and analysis (“MD&A”) is dated April 28, 2022 and is in respect of the year ended December 31, 2021. The discussion in this management’s discussion and analysis focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. This MD&A is prepared in conformity with National Instrument 51-102F1 and has been approved by the Board of Directors.

### **Disclaimer for Forward-Looking Statements**

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” or similar expressions. These statements represent management’s best projections, but under reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

### **Status of the Corporation**

ITOK Capital Corp., (the “Corporation”) was incorporated under the laws of the Province of Ontario on January 21, 2005 and is classified as a Capital Pool Company as defined in Policy 2.4 (“Policy 2.4”) of the TSX Venture Exchange (the “Exchange”).

The Corporation has not commenced commercial operations and has no assets. The Corporation’s current business is to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction (as described in “Policy 2.4”). Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a non-arm’s length Qualifying Transaction is also subject to “majority of the minority approval” in accordance with Policy 2.4. The Corporation has not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests as more particularly described below.

On May 2, 2008, the Corporation completed its initial public offering (the “offering”) of 1,000,000 Common Shares (the “Common Shares”) at a purchase price of \$0.30 per Common Share by way of a prospectus, filed in the Provinces of Alberta, British Columbia, and Ontario, for gross proceeds of \$300,000.

Research Capital Corporation ("Research") acted as agent in connection with the Offering. For its services, Research received a cash commission equal to 10% of the gross proceeds, was paid a corporate finance fee of \$10,000 as well as options to purchase up to 100,000 Common Shares at an exercise price of \$0.30 per Common Share, exercisable within twenty-four (24) months from the listing of the Common Shares on the Exchange.

In addition, the Corporation granted options to its Officers and Directors to purchase up to 166,667 Common Shares at an exercise price of \$0.30 per Common Share for a period of up to five (5) years from the date of the closing of the Offering. The options expired on May 2, 2012.

Upon the closing of the Offering, there were 1,666,667 Common Shares issued and outstanding, of which 666,667 Common Shares were being held in escrow.

The Common Shares were admitted for trading on the Exchange under the trading symbol "ITK.P" at the opening of the market on May 7, 2008.

On May 10, 2010, ITOK voluntarily halted trading of its shares on the Exchange pending announcement of a proposed Qualifying Transaction pursuant to the policies of the Exchange (the "Qualifying Transaction").

On May 12, 2010, trading in the Common Shares was suspended for failure to complete a Qualifying Transaction within the time prescribed by TSX Venture Exchange Policy 2.4. The Corporation was required to complete a Qualifying Transaction, delist or transfer its listing to the NEX board of the Exchange ("NEX") prior to May 9, 2010.

Pursuant to the resolution at the Annual General Meeting of Shareholders held on July 29, 2010, the Corporation's listing was transferred to NEX on August 11, 2010, the Corporation's Tier classification changed from Tier 2 to NEX, and the Filing and Service Office changed from Toronto to NEX.

As of August 11, 2010, the Corporation is subject to restrictions on share issuances and certain types of payments as set out in the NEX policies. Further to the TSX Venture bulletin dated May 11, 2010, trading in the shares of the Corporation remains suspended. Members are prohibited from trading in the securities of the Corporation during the period of the suspension or until further notice.

The trading symbol for the Corporation changed from ITK.P to ITK.H. There is no change in the Corporation's name, no change in its CUSIP number and no consolidation of capital. The symbol extension differentiates NEX symbols from Tier 1 or Tier 2 symbols within the TSX Venture market.

As a condition of the move to the NEX, 50%, 333,335 Common Shares originally issued to the Directors of the Corporation were cancelled on July 29, 2010, as approved by the shareholders of the Corporation at the Annual General Meeting in accordance with Majority of the Minority Approval (as defined in TSX Venture Exchange Policy 2.4).

Until completion of a Qualifying Transaction, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential Qualifying Transaction. With the consent of the Exchange, this may include the raising of additional funds in order to finance an acquisition. Except as described in the Corporation's final prospectus dated March 28, 2008, filed on SEDAR, the funds raised pursuant to the Corporation's initial public offering and any subsequent financing will be utilized only for the identification and evaluation of potential Qualifying Transactions and not for any deposit, loan, or direct investment in a potential acquisition.

## Selected Annual Financial Information

The following table sets out selected annual financial information for our company, which has been prepared in accordance with IFRS:

<b>Year ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total assets	\$96	\$Nil	\$2,315
Total revenue	\$ -	\$ -	\$ -
Net loss and comprehensive loss for the period	\$(78,513)	\$(67,615)	\$(97,404)
Basic and diluted loss per share for the period	\$(0.08)	\$(0.07)	\$(0.10)
Weighted average number outstanding	1,000,000	1,000,000	1,000,000

### Results of Operations for the year ended December 31, 2021

For the year ended December 31, 2021, the Corporation incurred expenses of \$78,513 compared to \$67,615 in December 31, 2020. The increase in expenses was related to \$14,596 in general and administrative expenses and \$53,314 in professional fees incurred during 2021 compared to \$6,600 and \$49,860 during 2020. Interest expense on the Company's debentures remained consistent while interest on overdue legal fees decreased by \$552. General and administrative expenses increased due to the emergence of travel, meals & entertainment, transfer agent fees, shareholder communication fees. The increase in professional fees was related to accounting fees of \$11,457 incurred during 2021 compared to \$2,163 in 2020 which is partially offset by a decrease in legal fees from \$37,033 during 2020 to \$29,165 in 2021.

### Results of Operations for the three months ended December 31, 2021

For the three months ended December 31, 2021, the Corporation incurred expenses of \$17,534 compared to \$20,364 during the three months ended December 31, 2020. The decrease in expenses was related to \$13,426 in professional fees incurred during the three months ended December 31, 2021 compared to \$15,509 during the three months ended December 31, 2020, a decrease in interest expense from \$2,995 during the three months ended December 31, 2020 to \$1,337 during the three months ended December 31, 2021 due to the reduction in interest on overdue legal fees and an increase in general and administrative expenses from \$1,861 during the three months ended December 31, 2020 to \$2,771 during the three months ended December 31, 2021. The decrease in professional fees is due to a decrease in legal fees from \$7,891 during the three months ended December 31, 2020 to \$375 during the three months ended December 31, 2021 which is partially offset by an increase in accounting fees from (\$1,875) during the three months ended December 31, 2020 to \$3,551 during the three months ended December 31, 2021. The increase in general and administrative expenses is due to an increase in transfer agent fees from \$nil during the three months ended December 31, 2020 to \$2,546 during the three months ended December 31, 2021 which is partially offset by a decrease in filing fees from \$1,819 during the three months ended December 31, 2020 to \$158 during the three months ended December 31, 2021.

### Summary of Quarterly Results

The following table provides selected quarterly financial data for the eight most recently completed quarters:

	<b>Three months ended</b>							
	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
Net loss for the period	(17,534)	(7,022)	(19,458)	(34,499)	(20,364)	(4,988)	(31,825)	(10,438)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.03)	(0.02)	(0.00)	(0.03)	(0.01)

Net loss increased during the quarter ended December 31, 2021 compared to the quarter ended September

30, 2021 due to annual audit fees incurred during the quarter ended December 31, 2021 and an increase in transfer agent fees compared to the prior quarter which is partially offset by a \$2,044 decrease in interest expense compared to the prior quarter.

Net loss decreased during the quarter ended September 30, 2021 compared to the quarter ended June 30, 2021 due to increased filing and shareholder communication related fees incurred during the prior quarter.

Net loss decreased during the quarter ended June 30, 2021 compared to the quarter ended March 31, 2021 due to a high level of professional fees incurred during the quarter ended March 31, 2021.

Net loss increased during March 31, 2021 compared to the quarter ended December 31, 2020 due to the an increase in legal fees the Company incurred during the quarter.

Net loss increased during the quarter ended December 31, 2020 compared to the quarter ended September 30, 2020 due to an audit fee accrual as well as legal fees incurred during the quarter ended December 31, 2020.

Net loss decreased during September 30, 2020 compared to the quarter ended June 30, 2020 due to the significant legal fees the Company incurred during the quarter ended June 30, 2020.

Net loss during the quarter ended June 30, 2020 increased from the quarter ended March 31, 2020 due to increased legal fees incurred during the quarter ended June 30, 2020

Net loss during the quarter ended March 31, 2020 decreased from the quarter ended December 31, 2019 due to significant legal fees incurred during the quarter ended December 31, 2019.

### **Disclosure of Outstanding Share Data**

The Corporation's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares without par value.

As of April 28, 2022 the Company had 1,000,000 common shares issued and outstanding and no non-voting preferred shares outstanding.

### **Liquidity and Capital Resources**

On May 7, 2007, the Corporation issued 666,667 Common Shares to its three (3) Directors at \$0.15 per share for proceeds of \$100,000, of which 333,335 Shares have been cancelled as noted above.

On May 2, 2008, the Corporation completed an initial public offering pursuant to a prospectus filed in Ontario, British Columbia and Alberta. The Corporation issued 1,000,000 Common Shares at \$0.30 per share for gross proceeds of \$300,000 upon completion of the offering. The funds raised pursuant to the Corporation's initial public offering (amounting to gross proceeds of \$300,000) and any other issuances of securities will be utilized only for the identification and evaluation of assets or businesses and to obtain shareholder approval for a proposed Qualifying Transaction.

Furthermore, no more than the lesser of \$210,000 and 30% of the gross proceeds raised may be used to cover prescribed costs of listing and filing fees, other costs of the issue of securities of the Corporation and administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the TSX Venture Exchange.

On March 23, 2015, the Corporation issued \$90,000 convertible debentures, bearing simple interest rate of 12% per annum with maturity date on December 31, 2018. The holder at any time may convert all or any part of the outstanding principal and accrued interest into units at a conversion price of \$0.05 per unit. Upon issuance, a debt discount of \$10,871 was recorded to equity and is being accreted over the remaining life of the debenture. As at December 31, 2021 and 2020, the carrying value of the convertible debenture was \$90,000 and had accrued interest payable totaling \$73,132 and \$62,332, respectively.

As at December 31, 2021, the convertible debenture was not in good standing, as it was not repaid on its maturity date of December 31, 2017. The convertible debenture carries no recourse and the convertible features and interest rates remain the intact. No additional penalties are associated with any potential late repayment of the convertible debenture. As at April 28, 2022, the Company has still not cured the default.

As at December 31, 2021, the Corporation had a working capital deficit of \$588,200 (December 31, 2020 - \$509,687) comprised of \$498,296 (December 31, 2020 - \$419,687) in trade and other payables and \$90,000 (December 31, 2020- \$90,000) loans payable, net of \$96 (December 31, 2020 - \$nil) in cash. Management believes that the Company's cash will not be sufficient to meet its working capital requirements for the next twelve-month period and additional financing will be required.

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

The Corporation has no off-balance sheet arrangements.

### **Directors and Officers**

As of the date of this MD&A, the Company's directors and officers are as follows:

Mohammad Shahid Fazil, CEO and Director  
Gordon D. Anderson, Director  
Jonathan Ross Gilbert, Director  
Alex McAulay, CFO – Appointed March 25, 2021

### **Transactions with Related Parties**

There were no compensation costs for key management personnel during the year ended December 31, 2021 and 2020.

#### *Related party balances:*

As at December 31, 2021, included in trade and other payables was \$120,036 (2020 - \$103,064) owing to Mohammad Fazil, CEO and director, and \$149,013 (2020 - \$149,013) owing to NCEG Capital Inc., a company controlled by Mohammad Fazil, for expense reimbursements. These amounts are non-interest bearing, unsecured and due on demand.

As at December 31, 2021, included in trade and other payables was \$82,015 (December 31, 2020 – \$48,600) owing to ACM Management Inc., a company owned by Alex McAulay, CFO of the Company for professional fees. These amounts are non-interest bearing, unsecured and due on demand.

As at December 31, 2021, included in trade and other payables was \$nil (December 31, 2020 - \$nil) owing to Alex McAulay, CFO of the Company, for expense reimbursements. These amounts are non-interest bearing, unsecured and due on demand.

As at December 31, 2021, the Company owed \$90,000 (2020 - \$90,000) in the form of a convertible debenture and \$73,132 (2020 - \$62,332) in accrued interest related to the convertible debenture included in trade and other payables owing to NCEG Capital Inc.

### **Financial Instruments**

The Corporation's financial instruments consist of cash and cash equivalents, trade and other payables and loans payable. It is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from the financial instruments and that the fair values of these instruments approximate their carrying values due to their short term nature.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents are exposed to credit risk. The Corporation reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2021, the Corporation is not exposed to any significant credit risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest expense on loans payable. The Corporation has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at December 31, 2021, the Corporation is not exposed to any significant interest rate risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Corporation addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. While the Corporation has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

### **Capital Management**

The Corporation's capital currently consists of common shares. The Corporation defines capital as total shareholders' equity, which was negative \$588,200 at December 31, 2021. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Corporation may issue new debt or equity. The Corporation is highly dependent on capital markets as its source of operating capital.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares issued in the IPO may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until the completion of a Qualifying Transaction.

### **Recently Adopted Accounting Standards**

Adoption of new accounting standards have been disclosed in Note 4 of the Company's Financial Statements for the years ended December 31, 2021 and 2020.

### **Critical Accounting Estimates**

This MD&A is based on the financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires that certain estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

## **Subsequent Events**

On April 4, 2022, the Company entered into a non-binding letter of intent (“LOI”) with 2413017 Alberta Ltd. (“241”), an arm’s length entity incorporated under the laws of the province of Alberta. 241’s wholly owned subsidiary FCRL Belize Ltd. (“FCB”) is approved by the Government of Belize to carry out an exploration for petroleum resources work program under a production sharing agreement with the Government of Belize. The LOI outlines the terms and conditions pursuant to which the Company and 241 will complete a transaction that will result in a reverse take-over of the Company (the “Proposed Transaction”). The Company and 241 intend to enter into a definitive agreement on or before April 29, 2022 or such other date mutually agreed to by both parties.

Concurrent to the transaction, the Company intends to complete a private placement of up to \$400,000 at a price of \$0.10 per share. As part of the definitive agreement, 241 also intends to complete a financing for a total of \$800,000 prior to the closing of the transaction.

Upon completion of the Proposed Transaction, the current shareholders of Company is expected to end up holding approximately 25% and the shareholders of 241 is expected to end up holding 75% of the issued shares of the resulting issuer.

It is contemplated that the Proposed Transaction would constitute the Company’s “Qualifying Transaction” (“QT”) pursuant to Policy 2.4 of the TSX Venture Exchange. The completion of the Proposed Transaction is subject to regulatory approval.

## **Additional information**

Additional information about the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).