

# **ALSET CAPITAL INC.**

(FORMERLY PROSMART ENTERPRISES INC.)

**FORM 51-102F1**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTH PERIOD ENDED JUNE 30, 2021**

## Introduction

This Management's Discussion and Analysis ("MD&A") of Alset Capital Inc. (formerly ProSmart Enterprises Inc) is the responsibility of management and covers the nine months ended June 30, 2021. The MD&A takes into account information available up to and including August 30, 2021 and should be read together with the unaudited condensed consolidated interim financial statements for the nine months ended June 30, 2021 and audited consolidated financial statements for the year ended September 30, 2020, which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we*, *us*, *our*, and *the Company* refer to Alset Capital Inc. All financial information in this document is derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in thousands of United States dollars, except share and per share amounts, or unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements." Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to known and unknown risks, uncertainties and other factors, many of which are beyond our ability to control, that may cause our actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Please refer to "Risk Factors" below.

## Description of Business

Alset Capital Inc. (formerly ProSmart Enterprises Inc.) the "**Company**") was incorporated under the laws of the State of Nevada on October 29, 1999. On January 27, 2009, the Company was continued from the State of Nevada to the Province of British Columbia under the Business Corporation Act. On July 12, 2021, the Company changed its name from ProSmart Enterprises Inc. to Alset Capital Corp. The Company's record office is #1500 - 1055 West Georgia Street Vancouver, BC.

The Company has completed three acquisitions of sports technology companies being; RosterBot Inc. ("RosterBot"), ProSmart Sports Development Inc. ("PSD"), and DL Hockey Consulting Limited ("DL Hockey"). On May 17, 2021, the Company sold PSD, RosterBot and DL Hockey.

## Performance Summary

During the period ended and subsequent to June 30, 2021, the Company:

- The Company entered into a Share Sale Agreement ("SPA") 1255589 B.C. Ltd. (the "Purchaser") whereby the Purchaser acquired 100% of the issued and outstanding shares of Rosterbot, PSD, and DL Hockey (collectively, the "Subsidiaries"). As consideration for the SPA, the Purchaser assumed \$640,000 of convertible debt from the Company.
- On February 16, 2021, the Company announced name change from "ProSmart Enterprises Inc." to "Alset Capital Inc." (the "Name Change") and consolidation (the "Consolidation") of its outstanding common shares (the "Common Shares") on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares.

## COVID-19 Update

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**Results of Operations for the nine months ended June 30, 2021 as compared to June 30, 2020**

During the nine months ended June 30, 2021, the Company incurred a net gain of \$525,693 as compared to a loss of \$3,639 for the period ended June 30, 2020.

The significant other significant income statement items are as follows:

- Transfer agent and filing fee expenses were \$36,151 (2020 - \$473). The fee is related to application on revocation of Cease Trade Order (“CTO”) from the BC Securities Commission during the current period.
- Management and consulting costs were \$31,500 (2020 - \$Nil). The company incurred management fee during the current period.
- Professional fees were \$94,283 (2020 - \$8,979). The fee is related to legal fee and accounting fee during the current period.

**Summary of Quarterly Results**

The following table summarizes the last 8 quarters of the Company.

	June 30, 2021 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2020 (Unaudited)	September 30, 2020 (Unaudited)
Total Assets	\$ 20,963	\$ 14,470	\$ 13,611	\$ 11,522
Shareholders' equity	(2,031,593)	(2,704,014)	(2,627,483)	(2,586,864)
Revenue	-	-	-	-
Comprehensive Loss	637,652	(81,291)	(40,619)	526,522
Basic and diluted loss per share	0.19	(0.03)	(0.00)	(0.00)
	June 30, 2020 (Unaudited)	March 31, 2020 (Unaudited)	December 31, 2019 (Unaudited)	September 30, 2019 (Unaudited)
Total Assets	\$ 4,352	\$ 5,529	\$ 7,793	\$ 21,673
Shareholders' equity	(2,065,696)	(2,066,210)	(2,051,368)	(2,040,501)
Revenue	-	-	-	-
Comprehensive Loss	179	(15,432)	(11,456)	(139,028)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

The Company incurs its minimal activities over the course of the financial year as it does not currently have any significant assets.

**Results of Operations for the three months ended June 30, 2021 as compared to June 30, 2020**

During the three months ended June 30, 2021, the Company incurred a gain of \$637,652 as compared to a net loss of \$2,183 for the period ended June 30, 2020.

The significant other significant income statement items are as follows:

- Transfer agent and filing fee expenses were \$3,974 (2020 - \$Nil). The fee is related to filing fee from the BC Securities Commission during the current period.
- Management and consulting costs were \$10,500 (2020 - \$Nil). The company incurred management fee during the current period.
- Professional fees were \$36,454 (2020 - \$Nil). The fee is related to legal fee and accounting fee during the current period.

**Liquidity**

As at June 30, 2021, the Company had a cash and cash equivalents balance of \$10,177 (September 30, 2020 - \$860) and working capital deficit of \$2,031,593 (September 30, 2020 - \$2,586,864), which consisted of current assets of \$20,936 (September 30, 2020 - \$11,522) and current liabilities of \$2,052,556 (September 30, 2020 - \$2,598,386).

Operating Activities: During the nine months ended June 30, 2021, the Company had inflow of \$3,183 in operating activities compared to outflow of \$10,591 for the nine months ended June 30, 2020.

Financing Activities: During the nine months ended June 30, 2021, the Company had inflow of \$12,500 in financing activities compared to \$Nil for the nine months ended June 30, 2020. The Company received loan of \$12,500.

Management intends to meet its liabilities by actively pursuing investors.

**Related Party Transactions**

Key management personnel consist of the officers of the Company and the Company's Board of Directors. During the period ended June 30, 2021, the Company paid or accrued Management fees of \$31,500 (2020 - \$Nil) to a company that employs the CFO of the Company.

Loans payable of \$3,189 (2020 - \$3,189) and trade payables of \$221,406 (2020 - \$236,286) is due to the former CFO of the Company.

**Outstanding Share Data**

As at the date of this report the Company had 3,534,041 common shares issued and outstanding.

**Off-Balance Sheet Arrangements**

At June 30, 2021, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

**Financial Instruments**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and short-term loans. The fair value of the Company's receivables, accounts payable and accrued liabilities, short-term loans and due to related parties approximate carrying value, which is the amount recorded on the statements of financial position, due to their short terms to maturity. The Company's other financial instrument, being cash under the fair value hierarchy, is recorded at fair value based on level one quoted prices in active markets for identical assets or liabilities.

**Capital Resources**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns and/or benefits for shareholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the administration of its corporate affairs and to provide funds for the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company has no revenue generating operations and as such is dependent upon external financings to fund activities. In order to develop its business and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the size of the Company.

There were no changes in the Company's approach to capital management during the year ended September 30, 2020. The Company is not subject to externally imposed capital requirements.

### **Risk Factors**

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 counterparty's inability to fulfil its payment obligations. The Company's receivables consist mainly of goods and services tax receivables due from the government of Canada. As at June 30, 2021, the Company's exposure to credit risk is minimal.

#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2021, the Company had a cash balance of \$10,177 to settle current liabilities of \$2,718,484. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Management intends to meet its liabilities by actively pursuing investors.

#### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As at June 30, 2021, the Company was not subject to or exposed to any interest rate risk as it had no variable interest debt or investments.

b) Foreign currency risk

As at June 30, 2021, the Company is not exposed to foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As at June 30, the Company was not exposed to any equity or commodity price risks.

### **Significant Accounting Judgements, Estimates and Assumptions**

The preparation of financial statements requires management to make estimates about, and apply assumptions or judgment to, future events and other matters that affect the reported amounts of the Company's assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's financial statements are prepared.

The Company's significant accounting judgements, estimates and assumptions are disclosed in Note 3 of the audited Financial Statements for the year ended September 30, 2020.

### **Significant Accounting Policies**

The Company's accounting policies are the same as those applied in the Company's annual financial statements for the year-ended September 30, 2020.

### **Risks and Uncertainties**

Prior to making investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware, or which they consider not to be material in relation to the Company's business, actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

#### *Financial Condition, Liquidity, and Requirements*

The Company's cash balance and working capital position are not adequate to sustain the Company's existing operations. If the Company is unable to continue to raise capital from issuances of shares, loans or by other means, it may not be able to restart operations.

#### *Potential Acquisitions and Investments*

Once the Company resumes operations, it expects to continue acquiring or investing in businesses, products and technologies that expand or complement the Company's current business, products and services. Such acquisitions or investments may involve significant commitments of financial or other resources of the Company. There can be no assurance that any such acquisition or investment can be satisfactorily financed or, if acquired, will generate revenue, income or other returns for the Company, or that financial or other resources committed to such activities will not be lost. Such activities could also place additional strains on the Company's administrative and operational resources and its ability to manage growth.

#### *Legislative, Insurance, Compliance Costs, Regulatory Action and Environment*

To comply with various increasing and complex regulatory reporting and standards involves significant cost. Changes to securities regulatory standards, account policy, and compliance reporting could place an additional expense burden on the Company. Insurers may increase premiums as the Company's business continue to grow so future premiums for the Company's insurance policies, including directors' and officers' insurance policies, could be subject to increase.

### **Note Regarding Forward-Looking Statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of gold and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve 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 the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of gold and other metals. While the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.