

# ESG Capital 1 Inc.

(a Capital Pool Corporation)

Management's Discussion and Analysis

For the three-month period ended September 30, 2021

## **Introduction**

This management's discussion and analysis ("MD&A") of ESG Capital 1 Inc. (the "Company") prepared by management as at December 6, 2021 and should be read in conjunction with the Company's condensed interim financial statements as of June 30, 2021, and the notes thereto. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

This MD&A may contain "forward-looking statements" which reflect expectations regarding future results of operations, performance and achievements of the Company. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

## **Nature of the Business and Incorporation**

ESG Capital 1 Inc. ("the Company") was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on March 8, 2021. The Company intends to carry on business as a "Capital Pool Corporation" ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 - Capital Pool Companies ("Policy 2.4").

The Company's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non arm's-length transaction, of the majority of the minority shareholders.

The Company's registered head office address is 18 King Street East, Toronto, Ontario, M5C 1C4.

## **Selected Financial Information – For the three months ended September 30, 2021 and the period from March 8, 2021 (date of incorporation) to September 30, 2021**

### **Results of Operations**

*Selected financial information:*

As the Company was incorporated on March 8, 2021, comparative quarterly data is not available.

The following is a summary of the Company's cumulative financial results as of September 30, 2021.

	<b>For the 3 months ended September 30, 2021</b>	<b>From March 8, 2021 (date of incorporation) to September 30, 2021</b>
<hr/>		
<b>Expenses</b>		
Professional fees	\$ 1,745	\$ 35,897
Regulatory and shareholder communications	16,385	31,475
Share based compensation	59,328	59,328
<hr/>		
<b>Loss and comprehensive loss</b>	<b>\$ 77,459</b>	<b>\$ 126,700</b>
<hr/>		

### **Liquidity and Capital Resources**

As of September 30, 2021, the Company had \$327,519 in cash and cash held in trust. The Company incurred a net loss of \$ 126,700. Such expenditures include costs related to regulatory costs and professional fees related to the Company's application for listing on the TSX-V.

Management anticipates that ongoing costs relating to the identification, evaluation, due diligence, negotiation and completion of a Qualifying Transaction will be incurred in future periods. The timing and magnitude of these costs is not predictable. These costs may be significant and could possibly result in higher general and administrative expenses. To date, the Company has procured working capital through equity financing.

## **Off Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

## **Related Party Transactions**

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. During the period, the Company incurred no related party transactions.

## **Financial Instruments and Other Instruments**

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks. The Company's financial instruments consist of cash, cash held in trust, and accounts payable and accrued liabilities.

Financial assets are required to be initially measured at fair value and subsequently classified at amortized costs or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are initially measured at fair value and subsequently classified as amortized cost.

## **Management of Capital**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares, in the definition of capital. 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. There were no changes to the Company's approach to capital management during the period.

The Company is not subject to externally imposed capital requirements.

## **Share Capital**

The following shares were outstanding as at September 30, 2021:

- On March 8, 2021, the Company issued 2,650,000 common shares to officers, directors and founders of the Company at a price of \$0.10 per share. All 2,650,000 common shares are subject to an escrow agreement and will be released as follows: 25% on the completion of the Qualifying Transaction, 25% will be released on the dates 6 months, 12 months and 18 months following the initial release.
- On September 14, 2021, the Company completed its initial public offering (the "Offering") of 1,000,000 shares at a price of \$0.20 per share. As consideration for services rendered in connection with the Offering, the Company paid Haywood Securities Inc. (the "Agent") \$15,000 and also granted options to acquire 100,000 common shares for a period of 24 months at an exercise price of \$0.20. These options were valued at the date of issue using the Black Scholes option pricing model with the following assumptions: dividend yield

0%, risk-free rate of 0.40%, expected volatility of 120% and an expected life of two years. The value attributed to these options was \$12,110.

## **Stock Options**

The Company has adopted an incentive stock option plan (the “Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants to the Company and Eligible Charitable Organizations, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares as at the date of grant of any such option, and that the exercise period does not exceed 10 years from the date of grant.

The number of Common Shares issuable to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares of the Company as at the date of grant of such option. The number of Common Shares issuable at any given time to all technical consultants in aggregate will not exceed 2% of the issued and outstanding Common Shares of the Company as at the date of grant of such option.

Upon listing, the Company granted 360,000 stock options to its directors and officers at an exercise price of \$0.20 per share for a period of five years from the date of the grant. These options were valued at the date of issue using the Black Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free rate of 0.82%, expected volatility of 120% and an expected life of five years. The value attributed to these options was \$59,328 and is recognized as stock based compensation.

## **Risk Factors**

The Company is actively trying to complete its Qualifying Transaction and currently has no source of recurring income. The Company has not commenced commercial operations, and has no significant assets other than cash, has no history of earnings and shall not generate earnings or pay dividends until at least after the completion of a Qualifying Transaction. Until that time, the Company is not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions.

There can be no assurances that the Company will continue to be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

To a certain degree, the Company’s success depends upon key members. It is expected that these individuals will be a significant factor in the Company’s growth and success. The loss of the service of members of management and certain key employees could have a material adverse effect on the Company.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (“COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the

impact that the length and severity of these developments will have on the ability of the Company to complete its Qualifying Transaction.

### **Trading symbol and commencement of trading**

The Company is a capital pool company under the policies of the Exchange. The Company's common shares commenced trading on the Exchange on September 15, 2021 under the trading symbol "ESGO.P"

### **Other Information**

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it