

# **ISRAEL CAPITAL CANADA CORP.**

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED OCTOBER 31, 2020 AND  
THE PERIOD FROM AUGUST 15, 2019 (DATE OF INCORPORATION) TO OCTOBER 31, 2019

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## 1.1 Date

This Management Discussion and Analysis (“MD&A”) of Israel Capital Canada Corp. (“Israel” or the “Company”) has been prepared by management as of February 23, 2021 and should be read in conjunction with the audited financial statements and related notes thereto of the Company as at and for the year ended October 31, 2020 and for the period from August 15, 2019 (Date of Incorporation) to October 31, 2019, which was prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

This MD&A contains forward-looking information which reflects management's expectations regarding the Company's growth, results of operation, performance and business prospects and opportunities. The use of words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “outlook”, “forecast” and similar expressions are intended to identify forward-looking statements.

Forward-looking statements in this MD&A include, but not limited to, the Company's expectation of future activities and results, of its working capital needs and its ability to identify, evaluate and pursue suitable business opportunity. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in these forward-looking statements. Readers should not put undue reliance on forward-looking information.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## 1.2 Over-all Performance

The Company was incorporated under the laws of the Province of British Columbia on August 15, 2019. The Company is a Capital Pool Company (“CPC”) as its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”) in accordance with Policy 2.4 of the TSX Venture Exchange (“TSX-V”).

On November 28, 2019, the Company entered into an agreement with Canaccord Genuity Corp. (“Canaccord”) who acted as the Company's agent for the IPO. Pursuant to the agreement, the Company paid Canaccord a cash commission of \$20,000 or 10% of gross proceeds of the IPO, and granted the Agent an aggregate of 200,000 options (the “Agent's Warrants”) exercisable at a price of \$0.10 for a 24-month period from the date the Company's common shares were listed on the TSX-V, being May 8, 2020. The Company paid an administration fee of \$15,000, and reimbursed legal and out-of-pocket expenses totaling \$17,300 to Canaccord.

On May 8, 2020, the Company completed its Initial Public Offering (“IPO”) on the TSX-V raising \$200,000 through the issuance of 2,000,000 common shares of the Company at \$0.10 per share. The Company's common shares were approved for listing on the TSX-V on May 8, 2020 and commenced trading effective May 12, 2020 under the symbol “IL.P”.

On October 8, 2020, the Company entered into a letter of intent (“LOI”) with Waveforce Electronics Inc. (“Waveforce”) to acquire a consumer wellness enhancement membership program. On February 17, 2021, the LOI was mutually terminated by both parties.

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The Company has not commenced operations and has no assets other than cash. 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-arms' length transaction, of the majority of the minority shareholders.

In March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. As a CPC with no commercial operations, the COVID-19 pandemic has not had a significant impact on the Company's routine operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to complete a Qualifying Transaction and to raise capital.

## 1.3 Selected Annual Information

	Year Ended October 31, 2020	Date of Incorporation (August 15, 2019) to October 31, 2019
Net Loss	\$ (116,581)	\$ (5,383)
Loss per share	\$ (0.08)	\$ (0.00)
Total assets	\$ 434,818	\$ 100,000
Total long-term liabilities	Nil	Nil
Cash dividends declared per share for each class of share	Nil	Nil

## 1.4 Results of Operations

*Year ended October 31, 2020*

During the year ended October 31, 2020, the Company reported a net loss of \$116,581 (2019 - \$5,383) or \$0.08 (2019 - \$0.00) per share, which consisted of office and miscellaneous expense of \$2,791 (2019 - \$Nil), administrative fees of \$6,300 (2019 - \$Nil), marketing and promotion of \$595 (2019 - \$Nil), professional fees of \$35,544 (2019 - \$5,383), regulatory fees of \$25,597 (2019 - \$Nil), stock-based compensation of \$41,384 (2019 - \$Nil), and transfer agent fees of \$4,370 (2019 - \$Nil).

Office and miscellaneous expense consisted of bank fees, printing and general costs in relation to the formation of the company and the prospectus filing.

Administrative fees incurred pursuant to the Company's administrative services agreement with Varshney Capital Corp. ("VCC"). See 1.9 *Transactions with Related Parties*.

Professional, regulatory, and transfer agent fees were incurred in connection to the Company's incorporation and application for its listing and filing of the Company's prospectus, and its QT with Waveforce.

The Company recorded stock-based compensation on 400,000 stock options granted to the Company's directors and officers and 60,000 stock options granted to a charitable organization.

The increase in net loss and expenses from last year are due to the Company being incorporated on August 15, 2019 and the comparatives do not reflect the same length of time.

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## *Three months ended October 31, 2020*

During the three months ended October 31, 2020, the Company reported a net loss of \$29,124 (2019 - \$5,383) or \$0.01 (2019 - \$0.00) per share, which consisted of office and miscellaneous expense of \$528 (2019 - \$Nil), administrative fees of \$4,725 (2019 - \$Nil), marketing and promotion of \$595 (2019 - \$Nil), professional fees of \$21,948 (2019 - \$5,383), regulatory fees of \$856 (2019 - \$Nil), and transfer agent fees of \$472 (2019 - \$Nil).

The increase in net loss and expenses was primarily due fees and expenses related to the Company's QT and the new public company costs as the Company completed its IPO in May 2020. There were no such costs in the prior year.

## **1.5 Summary of Quarterly Results**

The following is a summary of financial information concerning the Company for each of the reported quarters since its incorporation.

Quarter ended	Loss	Loss per share
October 31, 2020	\$ (29,124)	\$ (0.01)
July 31, 2020	\$ (32,901)	\$ (0.01)
April 30, 2020	\$ (53,929)	\$ (0.00)
January 31, 2020	\$ (627)	\$ (0.00)
October 31, 2019	\$ (5,383)	\$ (0.00)

The quarter ended October 31, 2020 incurred a higher loss due to the year-end audit fees and legal fees related to the Company's QT.

The quarter ended July 31, 2020 incurred a higher loss due to stock-based compensation in connection to the stock options granted upon the completion of the Company's IPO.

The quarter ended April 30, 2020 incurred a higher loss due to costs incurred in connection to the Company's listing and IPO.

## **1.6 Liquidity and Capital Resources**

As at October 31, 2020, the Company reported a working capital of \$412,818 (2019 - \$94,617) consisting of cash of \$434,818 (2019 - \$100,000) less trade payables and accrued liabilities of \$22,000 (2019 - \$5,383).

The Company's operating activities have been funded to date through the issuance of 4,000,000 seed common shares at a price of \$0.05 per share for gross proceeds of \$200,000, issuance of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000 on the completion of IPO, and issuance of 1,181,341 common shares at a price of \$0.15 per share for gross proceeds of \$177,200 on the completion of the Company's non-brokered private placement.

The cash disbursements were primarily related to legal, audit and regulatory filing fees associated with the filing of the Company's prospectus and completing the IPO, listing of the Company's shares on the TSX-V, and completing the private placement.

Pursuant to the policies of the TSX-V, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more

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than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or for administrative and general expenses. These restrictions apply until completion of the Company's Qualifying Transaction as defined by TSX-V Policy 2.4.

Effective January 1, 2021, the Exchange amended its Policy 2.4. Under the amended policy, a CPC may only incur expenses to operate its business to identify and evaluate assets or business for a proposed QT; reasonable expenses related to the CPC's IPO and prescribed costs of issuing the common shares and maintaining the CPC's regulatory requirements; and reasonable general and administrative expenses of the CPC not exceeding \$3,000 per month.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern with a view of completing its QT. The Company will have no revenue, and significant expenses are expected in the process of identification and acquisition of qualifying asset.

The Company may continue to have capital requirements in excess of its currently available resources. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See *item 1.15 – Other Requirements – Summary of outstanding share data*. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing, subject to the TSX-V policies and approval.

There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

## 1.7 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

## 1.8 Risk and Uncertainties

The Company's financial performance is likely to be subject to the following risks:

- Although management of the Company is working diligently to complete the QT, there is no assurance that a QT will be entered into nor completed.
- The Company was incorporated on August 15, 2019, has not commenced commercial operations, has not generated any revenue and has no assets other than cash.
- Until completion of a QT, the Company is not permitted to carry on any business other than the identification and evaluation of potential QTs.
- The Company has limited funds, with which to identify, evaluate and complete a potential QT and continue its business operations.
- Completion of the QT is subject to a number of conditions including acceptance by the TSX-V, securities regulatory authorities and the shareholders' approval, if required.

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

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## *Credit risk*

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with a major Canadian financial institution.

## *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's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. As at October 31, 2020, the Company had cash of \$434,818 (2019 – \$100,000) which is sufficient to settle its current liabilities of \$22,000 (2019 - \$5,383).

## *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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is not exposed to significant interest rate risk.

### (b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore 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 potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

## **1.9 Transactions with Related Parties**

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

On July 1, 2020, the Company entered into an administrative services agreement with Varshney Capital Corp. ("VCC"), a company with a director in common, for administrative services provided to the Company for an initial term of 120 days or until the Company completes a QT in exchange for a monthly fee of \$1,500 plus taxes. Upon completion of a QT, the monthly fee will increase to \$5,000 plus taxes for a six month term with a renewal option for an additional six months at a monthly fee of \$7,500 plus taxes and thereafter on an annual basis until otherwise terminated.

During the year ended October 31, 2020, the Company paid \$6,300 (2019 - \$Nil) for administrative fees to VCC.

During the year ended October 31, 2020, Dr. Keith Pyne, a director of the Company, and Stephen Davis, Director, CEO and President of the Company, purchased 500,000 common shares at \$0.05 per common shares each resulting in each owning 13.9% of the Company's issued and outstanding common shares. In

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addition, an independent investor also purchased a total of 1,000,000 common shares at \$0.05 per common share resulting in an ownership of 13.9% of the Company's issued and outstanding common shares.

On May 8, 2020, the Company granted an aggregate of 400,000 stock options to the officers and directors of the Company and recognized \$35,986 in share-based compensation.

During the period from August 15, 2019 (incorporation date) to October 31, 2019, the officers and directors of the Company either directly or indirectly subscribed to a total of 2,000,000 shares at a \$0.05 per common share being 100% of the issued and outstanding shares on October 31, 2019.

## 1.10 Fourth Quarter

On October 8, 2020 the Company entered into a LOI with Waveforce which was subsequently terminated in February 2021.

The Company completed its first full fiscal year.

The Company accrued audit fees of \$7,000 (2019 - \$Nil) for the annual audit of the Company's financial statements, and legal fees of \$15,000 (2019 - \$5,383) in connection to the Company's QT.

## 1.11 Proposed Transactions

None.

## 1.12 Critical Accounting Estimates

Not applicable to venture issuers.

## 1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 3 of the audited financial statements of the Company, as at and for the year ended October 31, 2020.

## 1.14 Financial Instruments and Other Instruments

The Company's financial instruments at October 31, 2020 are as follows:

		<i>FVTPL</i>	<i>Amortized cost</i>
<b>Financial assets</b>			
Cash	\$	434,818	\$ -
<b>Financial liabilities</b>			
Trade payables and Accrued liabilities		-	22,000
	\$	434,818	\$ 22,000

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## 1.15 Other Requirements

Summary of Outstanding Share Data as of February 23, 2021:

Authorized: Unlimited number of common shares and preferred shares without par value.

Issued and outstanding: 7,841,341 (including 4,000,000 held in escrow)

Stock options outstanding: 460,000

Agent's warrants outstanding: 200,000

Additional disclosures pertaining to the Company's news releases, material change, prospectus, and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors, thank you for your continued support.

*"Stephen Davis"*

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**Stephen Davis**

President, CEO, and Director