# DANBEL VENTURES INC.
# (formerly DANBEL INDUSTRIES CORPORATION)

## Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2015

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The Management Discussion and Analysis (M. D. & A.] should be read in conjunction with Danbel Ventures Inc., formerly Danbel Industries Corporation [the "Company"] 2015 and 2014 annual audited consolidated financial statements and the accompanying notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards ["IFRS"] in Canada. All monetary amounts are expressed in Canadian dollars. Additional information regarding the Company is available on the SEDAR website at www.sedar.com

## 1. FORWARD LOOKING INFORMATION

The M. D. & A. and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared, but cautions the reader that they could cause actual results to differ materially from those anticipated.

## 2. DATE OF M. D. & A.

This M. D. & A. was prepared on April 19, 2016.

## 3. GENERAL OVERVIEW

Effective August 23, 2001, pursuant to a court order, Danbel Inc., American Lantern [1998] Inc., Danbel Security Lighting Inc., JSL Lighting [2000] Corp. and JSL Lighting [2000] Inc., all wholly owned subsidiaries, of the Company, were put into interim receivership by the Company's senior lender. The interim receiver appointed a chief restructuring officer ["CRO"] to take effective managerial control of these subsidiary companies. The previous senior officers and directors of these subsidiary companies resigned at or prior to the court order.

The interim receiver has since disposed of the operational assets of the wholly owned subsidiaries. Included in the sale, were the divisional assets of RAB Design, which were sold to a company controlled by Mr. Irwin Beron, a former senior officer of the Company.

The Company has vigorously attempted to obtain full disclosure of all transactions undertaken by the interim receiver, the CRO and Mr. Irwin Beron. To date, these individuals have refused to disclose the exact nature of these transactions to the Company and as such they cannot be commented upon.

The Company is in the process of reorganizing its affairs to enable a transaction to occur.

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## 4. SELECTED ANNUAL INFORMATION

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Net loss and comprehensive loss | **(92,937)** | (905,762) |
| Net loss per share | **(0.02)** | (0.50) |
| Total assets | **519** | 1,103 |
| Current liabilities | **467,343** | 374,990 |
| Deficit | **(4,281,166)** | (4,188,229) |

## 5. RESULTS OF OPERATION AND QUARTERLY RESULTS

Danbel Ventures Inc. has not had any significant operational revenues since 2002. The Company has incurred administrative costs, professional fees and consulting fees associated with filing requirements and continued to accrue interest on its secured Loan Payable.

| | Dec 31, 2015 Q4 | Sep 30, 2015 Q3 | June 30, 2015 Q2 | Mar 31, 2015 Q1 | Dec 31, 2014 Q4 | Sept 30, 2014 Q3 | Jun 30, 2014 Q2 | Mar 31, 2014 Q1 |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | $NIL | $NIL | $NIL | $NIL | $NIL | $NIL | $NIL | $NIL |
| Net Loss and Comprehensive Loss | ($20,849) | ($14,820) | ($43,983) | ($13,285) | ($113,139) | ($237,351) | ($286,706) | ($268,566) |
| Loss per Share | ($0.004) | ($0.003) | ($0.008) | ($0.002) | ($0.02) | ($0.36) | ($0.43) | ($0.40) |

## 6. LIQUIDITY

On October 7, 2014, the Company entered into a Debt Settlement Agreement and Release with a corporation controlled by an individual who is currently the controlling shareholder of the Company for a portion of the aggregate indebtedness of the Loan Payable and related accrued interest of $9,444,418 as at that date. In exchange for a nominal cash consideration paid to the creditor, the Company settled $9,194,418 of the Loan Payable resulting in a remaining balance of $250,000. The loan bears interest at 12% per annum with interest payable on a monthly basis. The loan is collateralized through a general security agreement and is due on demand. The settlement of the Loan Payable was recorded as a reduction to the deficit by

$9,194,418. Included in accounts payable and accrued liabilities is interest owing on this loan of $36,740 [December 31, 2014 - $6,740].

On October 8, 2014, the Company entered into a Debt Settlement Agreement and Release with a corporation controlled by an individual who is currently the controlling shareholder of the Company for the settlement of the aggregate indebtedness of the Shareholder Loan payable and related accrued interest of $250,000 in exchange for the issuance of 5,000,000 common shares to the shareholder. Upon issuance of the common shares, the shareholder became the controlling shareholder of the Company. The settlement of the Shareholder Loan payable resulted in an increase to the capital stock of $250,000.

The Shareholder Loan in the amount of $151,388 [December 31, 2014 - $20,000] was advanced by the controlling shareholder which bears interest at 10% per annum, with interest payable on a monthly basis. The loan is collateralized through a general security agreement and is due on demand. Included in the Shareholder Loan amount is interest owing of $8,502 [December 31, 2014 - $nil].

The other Shareholder Loan, in the amount of $799 [December 31, 2014 - $799], is non-interest bearing, unsecured and due on demand.

Refer to note 1 of the Company’s consolidated financial statements for the years ended December 31, 2015 and 2014.

## 7. PROPOSED TRANSACTIONS

There are currently no proposed transactions.

## 8. FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

| **Financial instrument** | **Classification** |
|---|---|
| Cash | FVTPL |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Loan Payable | Other financial liabilities |
| Shareholder Loan | Other financial liabilities |

The carrying values of accounts payable and accrued liabilities, Shareholder Loans and Loans Payable approximate fair values due to the relatively short term maturities of these instruments.

## 9. FINANCIAL RISK MANAGEMENT LIQUIDITY RISK

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The Company is not exposed to currency risk or credit risk.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at December 31, 2015, the Company had current liabilities of $467,343 [December 31, 2014 - $374,990] and no significant assets. As a result, the Company is dependent on obtaining additional financing to meet its current obligations.

The Company had no interest rate swap or financial contracts in place as at December 31, 2015 and 2014.

Refer to note 1 of the Company's consolidated financial statements for the years ended December 31, 2015 and 2014.

## 10. CAPITAL RISK MANAGEMENT

The Company considers capital stock and deficit to represent capital. As at December 31, 2015 and 2014 the Company has a negative capital balance and management's objective is to maintain its ability to continue as a going concern by identifying sources for additional financing for working capital and the completion of a transaction.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2015.

Refer to note 1 of the Company's consolidated financial statements for the years ended December 31, 2015 and 2014.

## 11. OFF BALANCE SHEET ACTIVITIES

At December 31, 2015 the Company had no off balance sheet financial commitments and does not anticipate entering into any contracts of such nature.

## 12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and entities which are controlled by these individuals as well as certain persons performing similar functions. The shareholder described in Item 6 herein is a related party as this individual is a senior officer, director and the controlling shareholder of the Company.

Related party transactions conducted in the normal course of operations are measured at the exchange value [the amount established and agreed to by the related parties].

Included in accounts payable and accrued liabilities is:

[i] fees of $15,000 [December 31, 2014 - $31,075] accrued to a company controlled by the controlling shareholder of the Company. This shareholder also controls the entity holding the debt [Item 6 herein] and has advanced funds personally; and

[ii] interest payable of $36,740 [December 31, 2014 - $6,740] accrued to a corporation controlled by the controlling shareholder who is a senior officer and director of the Company. This shareholder also controls the entity holding the debt [Item 6 herein] and has advanced funds personally.

## 13. INCOME TAXES

The Company received Notices of Re-Assessment from the Canada Revenue Agency ("CRA") and The Ministry of Revenue (Ontario) which mirror the CRA Notices of Re-Assessment relating to the Company's taxation years December 31, 2004 up to and including December 31, 2009. As a result of the Notices of Re-Assessment from CRA for the years under assessment, an aggregate of $715,798 was payable to CRA and $363,548 payable to The Minister of Revenue (Ontario), which amounts included penalties and interest to the date of the Notices of Re-Assessment

The Company disputed the reassessments and filed Notices of Objection with the CRA within the required timeframe. In 2014, the Company received a Notice of Reassessment from each of the CRA and the Ministry of Revenue (Ontario) in response the Notices of Objection filed adjusting taxable income and income taxes payable to nil for all of the disputed years and reversing related interest and penalties accrued on these amounts.

## 14. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

***International Financial Reporting Standard 9, Financial Instruments ["IFRS 9"]***
IFRS 9 as issued in 2014, introduces new requirements for the clarification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun to process evaluating the impact of this standard on its consolidated financial statements.

***International Financial Reporting Standard 15, Revenue from Contracts with Customers ["IFRS 15"]***
IFRS 15 which was issued in May 2014, will replace all current revenue recognition requirements under IFRS, IFRS 15 establishes new five-step model that will apply to revenue arising from contracts with

customers. Under IFRS 15, revenue is recognized at an amount that effects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is required for annual periods beginning on or after January 1, 2018, using either a full or modified retrospective application. Earlier adoption is permitted. The Company does not expect this standard to have an effect on the Company's consolidated financial statements.

***International Financial Reorting Standard 16, Leases ["IFRS 16"]***
IFRS 16, Leases, which was issued in January 2016, will replace current lease accounting standards. It proposes to record all leases on the balance sheet with certain limited exceptions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Limited earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

## 15. CONTROLS AND PROCEDURES

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurances that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

## 16. OUTSTANDING SHARE DATA

**Common Shares**

On October 8, 2014 the Company issued 5,000,000 common shares with a paid in value of $250,000 in settlement of the Shareholder Loan described in Item 6 herein. As a result the number of common shares issued and outstanding increased from 667,716 at December 31, 2013 to 5,667,716 at October 8, 2014. The paid in value of the common shares increased from $3,564,342 at December 31, 2013 to $3,814,342 at October 8, 2014. As at April 19, 2016 no additional shares have been issued.

**Stock Options and Share Purchase Warrants**

In 1998, the Company established a stock option plan [the "Plan"], as amended in 1999, to encourage common share ownership in the Company by directors, officers, employees and consultants of the Company and its subsidiaries and affiliates. The maximum number of common shares that may be set aside for issue under the Plan is 2,000,000 common shares provided that the Board of Directors has the right, from time to time to increase such number subject to the approval of the shareholders of the Company. The maximum number of common shares that may be reversed to any one person under the Plan is 5% of the common shares outstanding at the time of the grant [calculated on a non-diluted basis] less the number of shares reserved for issuance to such person under any option to purchase common shares as a compensation or incentive mechanism. Any shares subject to an option which for any reason are cancelled or terminated prior to exercise will be available for a subsequent grant under the Plan. The option price for any common shares cannot be less than the price permitted by any stock exchange on which the common shares are then listed or other regulating body having jurisdiction.

Options granted are subject to cancellation upon the termination of an optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries. The options are non-transferable. The Plan contains provisions for adjustment in the number of shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change in the common shares, a merger or other relevant changes in the Company's capitalization. The Board of Directors may from time to time amend or reverse the terms of the Plan or may terminate the Plan at any time.

On November 14, 2014, 450,000 options to purchase common shares were granted under the Plan to directors of the Company. These options were granted with an exercise price of $0.05 per share, are fully vested upon the grant and expire on November 14, 2016. The fair value of these options was determined to be nominal. Shareholder approval was not required for the granting of options to purchase an aggregate of 450,000 common shares thereunder, however, in the event that the Board of Directors determines to increase the number of common shares subject to the Plan, such increase will be subject to the approval of the Company's shareholders.

As at December 31, 2015, 450,000 options [2014 – 450,000] were outstanding and fully vested.

## 17. OFFICERS AND DIRECTORS

As at December 31, 2016 the officers and directors of the Company are:

| | |
|---|---|
| Michael Stein | President and Director |
| Barry Polisuk | Director |
| Gabriel Nachman FCPA, FCA | Chair of Audit Committee, acting CFO and Director |
| Michael Singer | Director |

## 18. ADDITIONAL INFORMATION

Additional information relating to the Company is available:

- On the Internet at the SEDAR website at www.sedar.com or,
- By contacting Michael Stein at 416-816-9690