

ESSEX ANGEL CAPITAL INC.
Form 51-102F1

Management's Discussion & Analysis for the three and six month periods
ended February 28, 2015

Report Date: April 22, 2015

1.1 Introduction

Corporate structure and background

The following management's discussion and analysis ("MD&A"), prepared as of April XX, 2015, is a review of operations, current financial position and outlook for Essex Angel Capital Inc. (the "Corporation"). Additional information relevant to the Corporation's activities can be found on SEDAR at www.sedar.com. This MD&A should be read in conjunction with the Corporation's interim unaudited financial statements for the three and six month periods ended February 28, 2014 and the audited financial statements for the year ended August 31, 2014, and the notes thereto. Those financial statements were prepared in accordance with IFRS. Amounts are reported in Canadian dollars, unless otherwise specified.

The Corporation was incorporated on February 10, 2010 pursuant to the *Canada Business Corporations Act*. The Corporation completed its initial public offering on December 7, 2010 and is listed on the TSX-V as a Tier 2 Investment Issuer under the symbol "EXC". The Corporation's stated business goal is to build a portfolio of investments, with a view to participating in income and capital growth from the ultimate sale or other disposal of those investments.

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Corporation's management, are intended to identify forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. The Corporation does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, except as required by law.

Risks and Uncertainties

The Corporation has no material assets other than cash and investments. It does not have a history of earnings, nor has it paid any dividends, and may never pay dividends. Readers should refer to the risk factors disclosed in the Corporation's Filing Statement dated July 6, 2011 filed on SEDAR.

Additional Risk Factors

In addition to the risk factors disclosed in the Corporation's Filing Statement, there are risks relating to the reported value of the Corporation's investments. As described in Notes 3 and 9 to the interim financial statements, although the Corporation's active investment (as at February 28, 2015) is comprised mostly of publicly traded shares, there is no guarantee that the market would be able to absorb sale of the number of shares held by the Corporation without a drop in the share price, should the Corporation attempt to realize its investment within a very short timeframe. The reported fair value does not necessarily reflect the value that would be obtained should the Corporation sell its investments in an arm's-length transaction.

1.2 Overall Performance

The Corporation was incorporated under the *Canada Business Corporations Act* on February 10, 2010. On December 7, 2010, the Common Shares began trading on the TSX-V under the ticker symbol "EXC.P". On July 15, 2011, the Corporation completed its Qualifying Transaction and is now listed on the TSX-V as a Tier 2 Investment Issuer. Pursuant to the Qualifying Transaction, the Corporation entered into agreements to acquire debt securities of Wellness Indicators Inc. ("Wellness") and 3Gyros Inc. ("3Gyros").

During the year ended August 31, 2013, the Corporation foreclosed on its debt securities of Wellness Indicators Inc. ("Wellness"), and was able to secure the collateral pursuant to its security interest that it shared pro rata with certain other minority senior lenders of Wellness. Immediately upon foreclosure, the Corporation sold the collateral to Zivo Bioscience Inc. ("Zivo") (formerly Health Enhancement Products Inc.), a health & wellness company quoted on the OTCBB. The Corporation's portion of the consideration received was 1,792,315 common shares of Zivo, with a market value on the transaction date of \$834,126. The market value of these shares on August 31, 2013 was \$820,979.

During the year ended August 31, 2013, the Corporation determined that 3Gyros Inc. was not meeting its production or sales targets. In addition, 3Gyros was not providing to the Corporation all information required under the terms of the loan agreement. On July 29, 2013, the Corporation served 3Gyros with notice that 3Gyros was in breach of key terms of the loan agreement, and demanded immediate repayment of the loan in accordance with the terms of said agreement, but did not receive a satisfactory response. In the absence of adequate information to support a net positive carrying value, the investment in 3Gyros was written down to nil.

As at August 31, 2013, the Corporation's investments comprised 1,792,315 common shares of Zivo, acquired as described above.

On November 8, 2013, the Corporation acquired 400,000 common shares of Microcoal Technologies Inc. (CSE:"MTI") for consideration of \$100,000, and acquired 200,000 share purchase warrants of LED Medical Diagnostics Inc. (CSE:"LMD") for consideration of \$50,000, which was settled with the issuance of a note payable totaling \$150,000. Each share purchase warrant of LED Medical may be exercised at a price of \$0.20 for one whole common share of LED Medical until June 20, 2015.

On December 20, 2013, the Corporation entered into five debt settlement agreements with related parties resulting in the Company distributing 1,107,409 common shares of Zivo to settle amounts outstanding of \$343,296. These common shares had a fair value of \$413,949 based on the end of day share price on the date of the settlements, resulting in the Company recording a loss on settlement of debt of \$70,653.

On February 19, 2014, the Corporation acquired a convertible debenture of Valparaíso Technologies Inc. (“Valparaíso”) for proceeds of \$25,050. On March 18, 2014, the Company exercised its right to convert the debenture into 751,500 common shares of Valparaíso.

On August 19, 2014, the Company acquired 1,750,000 common shares in SPT Sulphur Polymer Technologies Inc. (“SPT Sulphur”) for proceeds of \$35,000. The SPT Sulphur trades on the Canadian Stock Exchange under the symbol “SEE”.

On January 26, 2015, the Company acquired 100,000 units of Imperus Technology Corp. (TSXV – “LAB”) for proceeds of \$35,000. Each unit consists of one common share and one half warrant. Each whole warrant shall entitle the holder thereof to purchase one common share at a price of \$0.55 per warrant until January 28, 2018.

On January 30, 2015, the Company acquired 250,000 common shares in Levon Resources Inc. (TSX – “LVN”) for proceeds of \$70,750.

On February 06, 2015, the Company acquired 1,000,000 units of M Pharmaceuticals Inc. (CSE – “MQ”) for proceeds of \$20,000. Each unit consists of one common share and one warrant. Each warrant shall entitle the holder thereof to purchase one common share at a price of \$0.55 per warrant until February 06, 2017.

At February 28, 2015, the fair value of the Company’s investment in Zivo was \$60,272, Microcoal was \$52,000 and Valparaíso was \$11,273, SPT Sulphur was \$1,487,500, Imperus was \$48,000, Levon was \$110,000, M Pharma was \$25,000 based on the end of day share price.

At February 28, 2015, the fair value of the Company’s investment in LED Medical warrants was \$44,400, calculated using the Black Scholes pricing model using the following assumptions: expected life of 0.3 years, expected volatility of 86%, and a risk-free interest rate of 0.74%.

As at February 28, 2015, the fair value of the Company’s investment in Imperus Technology Corp. warrants was \$13,850, calculated using the Black Scholes pricing model using the following assumptions: expected life of 3 years, expected volatility of 97%, and a risk-free interest rate of 0.69%.

As at February 28, 2015, the fair value of the Company’s investment in M Pharmaceuticals Inc. warrants was \$13,000, calculated using the Black Scholes pricing model using the following assumptions: expected life of 1 year, expected volatility of 185%, and a risk-free interest rate of 0.74%.

1.3 Selected Annual Information

The following provides a summary of selected financial information, derived from the Corporation’s audited financial statements for the years ended August 31, 2014 and 2013:

	Year ended August 31, 2014 \$ CGAP	Year ended August 31, 2013 \$ CGAP
Total revenues	-	-
Net loss and comprehensive loss – total	846,332	1,101,020
Net loss and comprehensive loss – per	0.11	0.52
Total assets	569,303	878,735
Total liabilities	214,372	220,872

For both periods described above, the Corporation reported no discontinued operations, no changes in accounting policies and declared no cash dividends. As at August 31, 2014, the Corporation's balance sheet showed \$150,000 long-term debt.

1.4 Results of Operations

During the year ended August 31, 2014, the Corporation recognized the following material items in its Statement of Operations, which reflect the activities described in Section 1.2 above:

- Total other expenses of \$401,653 (2013 - \$577,219) broken down as follows:
 - o Interest expense \$12,165 (2013 - \$nil)
 - o Loss on settlement of debt \$70,653 (2013 - \$nil)
 - o Change in fair value of investments, net of foreign exchange gain – loss of \$318,835 (2013 – loss of \$577,219), resulting from transactions described in Section 1.2;
- Total operating costs of \$444,679 (2013 - \$523,801), broken down as follows:
 - o Professional, filing and other administrative expenses of \$134,846 (2013 - \$306,817); and
 - o Director and management compensation of \$309,833 (2013 - \$216,984).

1.5 Summary of Quarterly Results

The following table summarizes information derived from the Corporation's financial statements for each of the Corporation's most recently completed eight quarters:

Quarter ended:		Total revenue (1)	Total net income (loss)	Earnings (loss) per share (actual and fully-diluted) (2)
May 31, 2013	CGAP	\$-	(\$879,580)	(\$0.413)
August 31, 2013	CGAP	\$-	\$11,633	\$0.000
November 30, 2013	CGAP	\$-	(\$346,499)	(\$0.043)
February 28, 2014	CGAP	\$-	(\$137,074)	(\$0.017)
May 31, 2014	CGAP	\$-	(\$258,517)	(\$0.032)
August 31, 2014	CGAP	\$-	(\$104,242)	(\$0.013)
November 30, 2014	IFRS	\$-	(140,540)	(\$0.010)
February 28, 2015	IFRS	\$-	1,478,508	0.14

(1) Excludes adjustments to fair value of investments.

(2) Based on weighted average shares outstanding in the relevant period, therefore total for each group of four quarters does not agree to annual total reported in relevant audited financial statements.

The results in each quarter above reflect the timing of the activities described in Sections 1.2 and 1.4 above.

The most notable items affecting the results of individual quarters are:

- changes in the estimated fair value of the Corporation's investments in Q1-14 (\$274,982);
- changes in the estimated fair value of the Corporation's investments in Q2-14 (\$34,292);
- changes in the estimated fair value of the Corporation's investments in Q3-14 (\$57,039);
- changes in the estimated fair value of the Corporation's investments in Q4-14 \$39,837;
- changes in the estimated fair value of the Corporation's investments in Q2-15 \$1,414,450;

For the three month period ended February 28, 2015 and 2014

	February 28, 2015	February 28, 2014
	\$	\$
Net Gain (Loss) for the period	1,478,508	(137,074)
Compensation	-	51,800
Professional Fees	11,012	5,891
Gain (Loss) FV Investments	1,475,508	(34,292)

1.6 and 1.7 Liquidity and Capital Resources

On March 25, 2013, the Company issued 200,000 units at a price of \$1.02 per unit for gross proceeds of \$204,329. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of \$2.00 per share expiring on September 15, 2014.

On April 19, 2013, the Company issued 150,000 units at a price of \$1.00 per unit for gross proceeds of \$150,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at a price of \$2.00 per share expiring on October 19, 2014.

In connection with the March 25, 2013 and the April 19, 2013 private placements, the Company paid \$18,216 in share issuance costs.

On August 30, 2013, the Company issued 500,000 units at a price of \$0.10 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share at the price of \$1.00 per share expiring on August 30, 2014. The Company paid finders' fees of \$5,000 and issued 50,000 finders' fee warrants with a fair value of \$6,166 in connection with the private placement. Each finders' fee warrant was exercisable into one common share at a price of \$1.00 per share, but expired on August 30, 2014.

On January 7, 2014, the Corporation authorized a consolidation of its common shares at one new share for every twenty old common shares. The effect of the share consolidation decreased the number of issued and outstanding shares from 56,700,000 to 2,835,000 common shares and has been reflected on a retroactive basis.

On January 7, 2014, the Company closed a private placement comprised of 8,003,333 Units at a price of \$0.075 per Unit, resulting in gross proceeds of \$600,250. Each Unit was comprised of one post-consolidation common share of the Company and one warrant ("Warrant") exercisable for a period of three years to acquire one post-consolidation common share at a price of \$0.10. Commissions of \$56,850 and 758,000 Warrants were paid to arms-length finders. Proceeds were be used for general working capital. The securities issued were subject to trading restrictions until May 8, 2014.

At February 28, 2015 and August 31, 2014 there were 10,838,333 shares issued and outstanding with a capital value of \$3,574,942.

The Corporation's working capital was \$26,431 and was comprised of cash balances (held at a major Canadian chartered bank), less its accounts payable and accrued liabilities. Working capital requirements are limited to those required to maintain the Corporation's ongoing public reporting obligations, and support the Corporation in its identification and completion of further potential investment opportunities.

The Corporation has not pledged any of its assets as security for loans or otherwise, and is not subject to any debt covenants.

1.8 Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

1. During the six months ended February 28, 2015, the Company incurred director and management compensation of \$20,351 (August 2014 - \$151,150) to the former President of the Company. As at February 28, 2015, accounts payable and accrued liabilities includes \$nil (August 2014 - \$9,126) owing to the former President of the Company, which were non-interest bearing, unsecured, and due on demand.
2. During the six months ended February 28, 2015, the Company incurred no director or management compensation (August 2014 - \$86,533) for the former Chief Financial Officer of the Company. As at February 28, 2015, accounts payable and accrued liabilities includes \$nil (August 2014 - \$300) owing to the former Chief Financial Officer of the Company, which is non-interest bearing, unsecured, and due on demand.
3. During the six months ended February 28, 2015, the Company incurred director and management compensation of \$nil (August 2014 - \$39,900) to the former Chief Operating Officer of the Company.
4. During the six months ended February 28, 2015, the Company incurred director and management compensation of \$nil (August 2014 - \$16,125) to a former director of the Company. As at February 28, 2015, accounts payable and accrued liabilities includes \$nil (August 2014 - \$5,000) owing to a former director of the Company, which was non-interest bearing, unsecured, and due on demand.
5. During the six months ended February 28, 2015, the Company incurred director and management compensation of \$nil (August 2014 - \$16,125) to a former director of the Company.
6. During the six months ended February 28, 2015 the Company had \$nil amounts owing to directors and management (August 2014, the Company settled amounts owing to directors and management of \$343,296 with the transfer of 1,107,408 common shares in Zivo Bioscience Inc. On the date of settlement, these shares had a fair value of \$413,949, based on the end of day share price, resulting in the Company recording a loss on settlement of debt of \$(70,653).
7. During the six months ended February 28, 2015, the Company incurred fees of \$4,620 for accounting services (August 2014 - \$nil) to a company owned by the CFO, Jamie Lewin.

These transactions were in the normal course of operations and were measured at the exchange

value, which represented the amount agreed upon by the transacting parties.

1.8 Other Events

On November 27, 2014, the Company and a former officer of the Company were served with litigation regarding an alleged breach of contract that commenced in 2011 against Zivo Bioscience Inc. (formerly Health Enhancement Products Inc.), an investment of the Company, as part of a counterclaim seeking damages. The Company has retained legal counsel and intends to vigorously defend its position and feels that the claims have no merit. As such, no accrual has been recorded on the Company's financial statements.

1.9 Changes in Accounting Policies including Initial Adoption of IFRS

See Note 3 to the Corporation's unaudited financial statements for the period ended February 28, 2015 for a description of the Corporation's accounting policies.

The Corporation is an investment company as defined in Accounting Guideline 18 "Investment Companies". Accordingly, it was not required to adopt International Financial Reporting Standards as codified in Part I of the CICA Handbook – Accounting ("IFRS") until its first financial year beginning on or after January 1, 2014. The Corporation received elective exemption from the Ontario Securities Commission (its principal regulator) from the requirement to adopt the provisions of relevant National Instruments also relating to the adoption of IFRS. This is the first quarter that financial reporting will be prepared under IFRS.

Management has assessed the effects of the adoption of IFRS. It will not have a significant effect on the Company's financial statements.

1.10 Financial Instruments and Other Instruments

At February 28, 2015, the Corporation's financial instruments consist of cash, investments, accounts payable and accrued liabilities and note payable. See Notes 4 and 5 to the Corporation's unaudited financial statements for the period ended February 28, 2015 for more information.

1.11 Additional Information Outstanding Share Data as at February 28, 2015 and the Report Date

Authorized

The Corporation is authorized to issue an unlimited number of Common Shares.

Issued and issuable under warrants or options

As at February 28, 2015	<u>10,838,333</u>	Common Shares issued and outstanding
As at Report Date	10,838,333	Common Shares issued and outstanding
	8,911,333	Issuable pursuant to outstanding warrants
	<u>Nil</u>	Issuable pursuant to outstanding options
	<u>19,749,666</u>	Fully diluted

1.12 Officers and Directors

David Berg, CEO, Director
Jamie Lewin, CFO
David McAdam, Director
Julie Zhu, Director
Nick Watters, Director