

LEO ACQUISITIONS CORP.
(A Capital Pool Corporation)

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS
ENDED JUNE 30, 2019 AND 2018**

October 28, 2019

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with, the audited financial statements for the years ended June 30, 2019 and 2018 of Leo Acquisitions Corp. ("Leo" or the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). All monetary amounts are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

The discussion 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.

COMPANY PROFILE

Leo Acquisitions Corp.

Leo Acquisitions Corp. was incorporated under the Business Corporations Act (Ontario) on October 28, 2009 and is classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4. The Company has not commenced commercial operations and has no significant assets other than cash. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4. Except as described in the Company's prospectus dated November 4, 2010, the funds raised pursuant to the Company's Initial Public Offering (the "Offering") will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses.

On February 2, 2011, the Company completed its Initial Public Offering (the "Offering") of 5,740,500 common shares at a price of \$0.10 per common share for total gross proceeds of \$574,050 and has filed for listing as a Capital Pool Company on the TSX Venture Exchange. Union Securities Ltd. acted as lead agent on the Offering. The common shares of Leo commenced trading on the TSX Venture Exchange on February 8, 2011 under the trading symbol "LEQ".

On August 10, 2011, the Company completed a non-brokered private placement of 500,000 common shares at price of \$0.10 per share for gross proceeds of \$50,000.

On May 14, 2013, the Company announced that it received approval from the Exchange to transfer its listing to the NEX board of the Exchange under the ticker symbol "LEQ.H". Accordingly, the common shares of the Company were transferred to the NEX board of the Exchange effective the opening on May 16, 2013.

As part of the transfer to the NEX board of the Exchange, the Company received shareholder approval at its annual and special shareholders' meeting held on April 26, 2013, to cancel 50% of the seed shares purchased by Non-Arm's Length Parties, as that term is defined under the Exchange Policies, at a discount to the Company's initial public offering price of \$0.10. Accordingly, 1,000,000 common shares of the Company held by Non-Arm's Length Parties have been cancelled. These shares were previously held in escrow and were cancelled in accordance with section 11.2(ii) of the Exchange Policies. These actions are a result of the Company's inability to complete a Qualifying Transaction within the time period prescribed by the Exchange.

On October 18, 2016, the Company completed a share consolidation of its issued and outstanding Common Shares on the basis of one post-consolidation Common Share for 3.3 pre-consolidation Common Shares (the "Consolidation"). The Consolidation was previously approved by the shareholders of the Company at an annual and special meeting of the shareholders of the Company held on October 6, 2016.

On October 21, 2016, the Company completed a non-brokered private placement share offering raising gross proceeds of \$36,000. The Company issued 727,272 Common Shares (post-Consolidation) at a subscription price of \$0.05 per Common Share.

On July 11, 2017, the Company completed a non-brokered private placement share offering of 1,308,000 Common shares (post-Consolidation) at a subscription price of \$0.055 per Common Share for gross proceeds of \$71,940 (the "Private Placement"). The Company incurred legal fees of \$11,300 in connection with the above private placement.

The Company currently has 4,229,357 post-Consolidation common shares issued and outstanding.

The Company has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire. Until completion of the Qualifying Transaction (as such term is defined in Policy 2.4), the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a Qualifying Transaction. Except as described in the Company's prospectus dated November 4, 2010 in connection with its Offering, funds raised pursuant to the issuance of shares will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses. While the Company has commenced the process of identifying a potential transaction, it has not yet entered into a definitive agreement for any particular transaction.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has no source of operating revenues and its ability to operate as a going concern in the near-term will depend on its ability to successfully raise additional financing and to commence profitable operations in the future. The Company's financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business.

The Company currently has two employees, Gerry Goldberg, President and Warren Goldberg, Chief Financial Officer and Secretary. Neither officer is compensated by the Company.

SELECTED ANNUAL INFORMATION

Summarized selected financial information with respect to the Company for the three most recently completed fiscal years ended June 30 is as follows:

		June 30, 2019		June 30, 2018		June 30, 2017
Total expenses	\$	(27,261)	\$	(52,424)	\$	(100,053)
Gain on settlement of debt	\$	-	\$	-	\$	26,206
Net loss	\$	(27,261)	\$	(52,424)	\$	(73,847)
Loss per share	\$	(0.01)	\$	(0.01)	\$	(0.03)
Total assets	\$	252,918	\$	271,101	\$	331,481
Total liabilities	\$	56,585	\$	47,507	\$	125,603
Deficit	\$	(606,685)	\$	(579,424)	\$	(527,000)
Shareholders' equity	\$	196,333	\$	223,594	\$	205,878

RESULTS OF OPERATIONS

Fiscal years ended June 30, 2019 and 2018

The Company recorded a net loss of \$27,261 during the year ended June 30, 2019, as compared to a net loss of \$52,424 during the year ended June 30, 2018. The reason for the decrease in loss is primarily due to reduction in professional fees by \$2,543, reduction in general and administration expenses by \$3,778, reduction by \$10,146 in expenses incurred to identify a qualifying transaction in current year (\$nil) as compared to prior year (\$10,146) and \$nil expensed in current year for non-cash stock based compensation expenses as compared to \$9,500 in prior year. The stock-based compensation expense of \$9,500 in prior year related to the issuance of 203,528 stock options to the Company's directors.

During the year ended June 30, 2019, the Company incurred professional fees of \$15,249 which includes audit and accounting fees of \$13,509 related to the June 30, 2019 year end audit and legal fees of \$1,740 relating to general corporate matters, as compared to professional fees of \$17,792 for the year ended June 30, 2018, which included audit and accounting fees of \$13,207 relating to the June 30, 2018 year end audit and legal fees of \$4,585 relating to general corporate matters and the non-brokered private share offering completed on July 11, 2017.

During the prior year ended June 30, 2018, the Company incurred \$10,146 (year ended June 30, 2019 - \$nil) of expenses in connection with the Company's ongoing activities related to identifying and evaluating potential acquisitions or businesses with a view to completing a qualifying transaction.

During the year ended June 30, 2019, the Company incurred filing fees of \$11,842 representing Exchange participation fees and SEDAR fees in respect of the Company's annual continuous disclosure obligations, and maintenance fees representing TSX Venture Exchange fees in respect of the Company's quarterly continuous disclosure obligations. During the prior year ended June 30, 2018, the Company incurred \$11,038 of filing fees representing Exchange participation fees and SEDAR fees in respect of the

Company's annual continuous disclosure obligations, and maintenance fees representing TSX Venture Exchange fees in respect of the Company's quarterly continuous disclosure obligations.

General and administrative expenses totalled \$170 during the year ended June 30, 2019 as compared to \$3,948 during the prior year ended June 30, 2018. During the prior period, general and administrative expenses consisted of printing and mailing costs associated with disseminating press releases and other shareholder information relating to the Company's proposed Qualifying Transaction which was terminated on March 5, 2018.

During the prior year ended June 30, 2018, the Company recorded stock-based compensation expense of \$9,500 in relation to the fair value of 203,528 stock options issued to the Company's directors. No stock options were issued during the current year ended June 30, 2019 nor was any stock based compensation expense recorded.

Loss per share during the year ended June 30, 2019 was \$(0.01) compared to a loss per share of \$(0.01) during the year ended June 30, 2018.

Three-month period ended June 30, 2019 and 2018

The Company recorded a net loss of \$14,680 during the three-months ended June 30, 2019 compared to a net loss of \$17,137 during the three-months ended June 30, 2018.

During the three-month period ended June 30, 2019, the Company accrued professional fees of \$13,509 consisting of audit fees for the June 30, 2019 year end audit and bookkeeping fees incurred during the year. During the three-month period ended June 30, 2018, the Company accrued professional fees of \$13,207 consisting of audit fees for the June 30, 2018 year end audit and bookkeeping fees incurred during the year.

During the three months ended June 30, 2019, the Company incurred filing fees of \$1,171 representing TSX Venture Exchange listing fees in respect of the Company's quarterly continuous disclosure obligations. During the three months ended June 30, 2018, the Company incurred filing fees of \$4,195 representing TSX Venture Exchange listing fees of \$2,825, \$370 related to SEDAR filing fees in respect of the Company's quarterly interim filings and \$1,000 related to SEDAR filing fees in respect of the Company's quarterly continuous disclosure obligations.

Loss per share during the three-month period ended June 30, 2019 was \$(0.004) compared to a loss per share of \$(0.004) during the comparative three-month period ended June 30, 2018.

SUMMARY OF QUARTERLY RESULTS

Note: The Company's fiscal year end is June 30. Fiscal 2019 and 2018 are comprised of the years ending June 30, 2019 and 2018, respectively.

The following table presents selected financial data of the Company for its last eight quarters as reported in the period:

Quarter Fiscal Year	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net income (loss)	(14,680)	(6,689)	(1,412)	(4,480)	(17,137)	(19,054)	(13,016)	(3,217)
Earnings (loss) per share	(0.004)	(0.002)	(0.001)	(0.001)	(0.004)	(0.005)	(0.003)	(0.001)

LIQUIDITY

As at June 30, 2019, the Company had a cash balance of \$252,918, as compared to a cash balance of \$271,101 on June 30, 2018. The decrease in cash is a result of the operating expenses incurred during the year as per results of operations (as above).

Total liabilities were \$56,585 as at June 30, 2019, an increase of \$9,078 from total liabilities of \$47,507 as at June 30, 2018. The increase is attributable to the accrued audit fees, advisory fees and filing fees incurred in relation to the Company's audit, accounting and annual filing disclosure obligations incurred during fiscal 2019.

Shareholders' equity decreased from \$223,594 on June 30, 2018 to \$196,333 on June 30, 2019. The decrease is attributable to the loss of \$27,261 incurred during the fiscal year ended June 30, 2019.

CAPITAL RESOURCES

The Company financed its operations during the fiscal year ended June 30, 2019 from the remaining net cash proceeds received from the Company's Initial Public Offering (the "Offering") and from the proceeds raised from the non-brokered private share offering completed on October 21, 2016.

Cash raised by the Company from the Offering is to be used by the Company to fund its activities relating to the identification and evaluation of a potential Qualifying Transaction and, to the extent permitted by Policy 2.4, for general and administrative expenses. Until such time as the Company identifies a Qualifying Transaction, it is contemplated that the working capital requirements of the Company will relate generally to expenses associated with the Company's continuous disclosure obligations under applicable securities legislation, annual audit fees, legal fees for general corporate matters and costs incurred in identifying, evaluating and executing a potential qualifying transaction. The only material ongoing contractual obligations of the Company relate to the payment of transfer agency fees and legal and audit fees.

The Company believes it has sufficient capital resources to execute a qualifying transaction.

SHARE CAPITAL

As at June 30, 2019, the Company had authorized unlimited common shares without par value and had issued 4,229,357 post-Consolidation common shares.

At the annual and special shareholders' meeting held on April 26, 2013, shareholders of the Company passed a resolution to approve the application to list the Company's common shares on the NEX board of the Exchange. Pursuant to Exchange Policy 2.4, 50% of the founder's shares purchased by non-arm's length parties at a discount to the initial public offering price must be cancelled upon transfer of a capital pool company from the Exchange to the NEX. Accordingly, 1,000,000 common shares of the Company held by non-arm's length parties were cancelled, effective as of May 16, 2013. These shares were previously held in escrow and were cancelled in accordance with section 11.2(ii) of the Exchange Policies.

On February 17, 2016, the Company granted 219,407 incentive stock options (post-Consolidation) to its current directors to acquire a total of 219,407 common shares at an exercise price of \$0.33 per common share (post-Consolidation) for a period of five years with an expiry date of February 17, 2021. The estimated fair value of the 219,407 stock options has been estimated to be \$23,257 at the grant date using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield 0%; risk-free interest rate of 0.65%; expected volatility of 100%; forfeiture rate of 0%; and an expected average life of five years.

On October 18, 2016, the Company completed a share consolidation of its issued and outstanding common shares on the basis of one post-consolidation Common Share for 3.3 pre-consolidation Common Shares (the Consolidation"). The Consolidation was previously approved by the shareholders of the Company at an Annual and Special Meeting of the shareholders of the Company held on October 6, 2016.

On October 21, 2016, the Company closed its non-brokered private share offering raising gross proceeds of \$36,000 by issuing 727,272 common shares (post-Consolidation) of the Company at a subscription price of \$0.05 per common share.

On July 11, 2017, the Company closed its non-brokered private share offering raising gross proceeds of \$71,940 by issuing 1,308,000 common shares (post-Consolidation) of the Company at a subscription price of \$0.055 per common share.

On March 5, 2018, the Company granted 203,528 incentive stock options (post-Consolidation) to its current directors to acquire a total of 203,528 common shares at an exercise price of \$0.33 per common share (post-Consolidation) for a period of five years with an expiry date of March 5, 2023. The estimated fair value of the 203,528 stock options has been estimated to be \$9,500 at the grant date using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield 0%; risk-free interest rate of 2.1%; expected volatility of 100%; forfeiture rate of 0%; and an expected average life of five years.

The Company currently has 4,229,357 common shares issued and outstanding as at the date hereof. If all options were exercised, the number of common shares outstanding would be 4,652,292.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The critical accounting policies followed by the Company are as follows:

Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and form assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under difference assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the valuation of share-based compensation and recognition of deferred income tax amounts, and the estimated amount of accrued liabilities. Actual results may differ from those estimates.

Accounting Standards Implemented in 2019

(a) Revenue from Contracts With Customers ("*IFRS 15*")

The Company adopted IFRS 15 on its effective date of July 1, 2018 using the modified retrospective approach. IFRS 15 replaces IAS 18, Revenue. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers. There is no impact of adopting this standard on the financial statements.

(b) Amendments to Share-based Payment ("*IFRS 2*")

In June 2016, the IASB issued amendments to IFRS 2, which expands upon the guidance for recognizing a liability for cash-settlement of a share-based payment as well as transactions with a net settlement feature for withholding tax obligations. The Company adopted these amendments on its effective date of July 1, 2018. There is no impact of adopting these amendments on the financial statements.

(c) Financial Instruments ("*IFRS 9*")

Effective July 1, 2018, the Company adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

(c) Financial Instruments (“IFRS 9”) (Continued)

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”) with fair value gains or losses recycled to net income on derecognition; or (iii) fair value through profit and loss (“FVTPL”). Financial liabilities are classified and measured on two categories: (i) amortized cost; or (ii) FVTPL.

The adoption of the new standard by the Company resulted in no change in measurement or the carrying amount of financial assets and liabilities however the classification of financial instruments and liabilities changed as follows:

- (i) Cash and cash equivalents that were classified as FVTPL are not classified as amortized cost.
- (ii) Accounts payable and accrued liabilities that were classified as other liabilities are now classified as amortized cost.

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.

Transactions with related party are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

There were no transactions with related parties during the year ended June 30, 2019.

On March 5, 2018, the Company granted 203,528 incentive stock options (post-consolidation) to directors at an exercise price of \$0.33 per share (post-consolidation). These options vest immediately and are exercisable for a period of five (5) years from the date of the grant. The Company expensed stock-based compensation expense of \$9,500 during the year ended June 30, 2018.

SEGMENTED INFORMATION

The Company has a single reportable geographic segment – Canada – and all the Company’s assets are located in Canada.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company had no off-balance-sheet arrangements as at June 30, 2019 and 2018.

INVESTOR RELATIONS

During the year ended June 30, 2019, the Company’s directors handled the Company’s investor relations activities.

SUBSEQUENT EVENTS

Letter of Intent

On July 10, 2019, the Company entered into a signed Letter of Intent (the "**LOI**"), with CBX Brands Inc. ("**CBx**"), a private corporation incorporated pursuant to the laws of Ontario, which outlines the general terms and conditions pursuant to which the Company and CBx are to complete a business combination to ultimately form the resulting issuer (the "**Resulting Issuer**") who will carry on the current business of CBx (the "**Transaction**"). The Company intends that the Transaction will constitute its Qualifying Transaction, as defined in the policies of the TSX Venture Exchange.

Pursuant to the LOI, it is contemplated that the Company and CBx will complete an arm's length transaction whereby the Company is to acquire all the issued and outstanding shares of CBx by way of a share exchange, plan of arrangement, amalgamation or other form of business combination. For such purposes, the Company will be valued at \$1,903,211 (based on 4,229,357 issued and outstanding common shares of the Company at a value of \$0.45 per share) and CBx will be valued at \$9,835,260 on a pre-Concurrent Financing basis (as defined below). Based on the relative valuations of the Company and CBx at closing of the Transaction, the Company will issue the applicable number of common shares of the Resulting Issuer to the shareholders of CBx. Furthermore, all other securities of CBx, including all issued and outstanding options and warrants, will be exchanged for equivalent securities of the Resulting Issuer.

Prior to September 15, 2019, the Company and CBx shall promptly negotiate and enter into a definitive agreement (the "**Definitive Agreement**"), together with such other documents that may be required to effect such filings and applications as are required in order to more fully delineate, formalize and execute the terms of the Transaction as outlined in the LOI. The Definitive Agreement would incorporate the principal terms of the Transaction set forth in the LOI, together with other representations, warranties, and indemnities customary for transactions of a similar nature.

The completion of the Transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to (i) the negotiation of the Definitive Agreement; (ii) receipt of all requisite regulatory, stock exchange, court or governmental approvals, authorizations and consents; (iii) satisfactory results of due diligence and the absence of any material change or a change in a material fact or a new material fact affecting the Company or CBx; (iv) completion of the Concurrent Financing (as defined below); and (v) if applicable, each party having received appropriate approvals from their shareholders. There can be no assurance that the Transaction will be completed on the terms proposed above or at all. It is intended that upon closing of the Transaction that the common shares of the Resulting Issuer will be listed and posted for trading on the TSX Venture Exchange.

Concurrent Financing

In connection with the Transaction, CBx will be required to complete an equity financing by way of private placement of subscription receipts for gross proceeds of \$1,000,000 or such other amount that is adequate to meet the applicable listing requirements of the TSX Venture Exchange (the "**Concurrent Financing**"). The parties have not yet engaged a lead agent to assist with the completion of the Concurrent Financing.

RISK FACTORS

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are appropriately mitigated.

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

No Operating History

The Company was incorporated on October 28, 2009, has not commenced commercial operations and has no assets other than cash and HST recoverable. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. Until Completion of the Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to complete a Qualifying Transaction within the 24 months of the date of listing or if the Company fails to meet initial listing requirements of the Exchange upon Completion of the Qualifying Transaction. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against the Company. In addition, delisting of the common shares will result in the cancellation of all the currently issued and outstanding common shares of the Company held by Insiders. Trading in the common shares of the Company may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required.

Halt of Trading

Upon public announcement of a potential Qualifying Transaction, trading in the common shares of the Company will be halted and will remain halted until Completion of the Qualifying Transaction, or sooner pursuant to Policy 2.4. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential Qualifying Transaction.

Exchange May Not Approve a Qualifying Transaction

Completion of the Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval as such terms are defined in Policy 2.4. Notwithstanding that a transaction may meet the definition of a Qualifying Transaction; the Exchange may not approve a Qualifying Transaction:

(a) if the Company fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the Exchange upon Completion of the Qualifying Transaction;

- (b) if, following Completion of the Qualifying Transaction, the Company will be a finance company, or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Company in connection with the Qualifying Transaction is not acceptable to the Exchange; or
- (d) for any other reason at the sole discretion of the Exchange.

Approval by the Majority of the Minority

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Company of fair value for the common shares.

Dilution

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change, and subscribers may suffer dilution of their investment.

Directors and Officers

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management

The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

Foreign Acquisition

In the event the Company identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

Loans or Advances

Subject to prior acceptance from the Exchange, the Company may be permitted to loan or advance up to an aggregate of \$250,000 (\$25,000 without prior Exchange approval) of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Company will be able to recover the loan or advance.

Volatile Financial Markets

The extreme volatility occurring in the financial markets is a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Issuers like the Company are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets in order to raise the capital it will need to fund its current level of expenditures and identify, evaluate and close a Qualifying Transaction.

FINANCIAL INSTRUMENTS AND RISK FACTORS

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are appropriately mitigated.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at June 30, 2019, the Company has liabilities of \$56,585 (2018 - \$47,507) due within twelve months and has cash of \$252,918 (2018 - \$271,101) to meet its current obligations. As a result, the Company has minimal liquidity risk.

Credit Risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. Cash is held in trust by the Company's lawyers. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with recognized Schedule I banks in Canada. The carrying amount of cash represents the maximum credit exposure.

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 share capital, share option reserves and accumulated deficit, 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 its activities relating to the identification and evaluation of a potential Qualifying Transaction. 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.

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 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 administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4. All the Company's cash as of June 30, 2019 is restricted for this use.

OUTLOOK

The Company's primary focus for the foreseeable future will be to actively identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction. The Company believes that it has sufficient cash and capital resources to achieve its goal.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com