

# **Consolidated HCI Holdings Corporation**

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

**For the Three and Nine Months Ended June 30, 2021 and 2020**  
(Expressed in thousands of Canadian dollars, except share and per share amounts)

### **OVERVIEW**

Consolidated HCI Holdings Corporation (the "Company") is an Ontario-based publicly traded company which trades on the NEX under the trading symbol CXA.H. The NEX is a separate board of the TSX Venture Exchange ("TSX-V") for issuers previously listed on the Toronto Stock Exchange or TSX-V but which no longer maintain compliance with the ongoing financial listing standards of those markets.

The following management's discussion and analysis ("MD&A") of the financial condition of the Company and its financial performance for the nine months ended June 30, 2021 are the views of management and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended June 30, 2021 and the audited consolidated financial statements for the year ended September 30, 2020. Amounts presented in this MD&A, except per share amounts, are in thousands of Canadian dollars.

On July 14, 2021, the Company entered into a definitive business combination agreement dated (the "Combination Agreement") with Vaxxinator Enterprises Inc. ("Vaxxinator"), a private clean tech company, and 1314092 B.C Ltd., a wholly-owned subsidiary of the Company. Completion of the transactions contemplated in the Combination Agreement will result in the reverse takeover of the Company by Vaxxinator (the "Proposed Transaction"). Pursuant to the Combination Agreement, The Company and Vaxxinator will complete an arm's length business combination by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia). The Company's shares will be consolidated on a 24.691:1 basis (the "Consolidation").

The information included in this MD&A, including the 2020 comparative information, has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

### **GOING CONCERN**

The Company's unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles that are applicable to a going concern. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the nine months ended June 30, 2021, the Company incurred a net loss of \$363 (2020 - \$210) and as at June 30, 2021, the Company has an accumulated deficit of \$36,359 (September 30, 2020 - \$35,996) and working capital deficit of \$252 (September 30, 2020 - \$106). These circumstances create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption. The Company no longer has any source of revenue and continues to incur general and administrative expenses.

Management and the Board of Directors continue to consider options as to the Company's future. Whether and when the Company can successfully source capital and/or financing and successfully develop a revenue-producing profitable business with positive cash flows is uncertain. Accordingly, material uncertainty exists whether the Company can discharge its obligations, including its accounts payable and accrued liabilities and notes payable, within the next 12 months. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern. These unaudited condensed consolidated interim financial statements do not reflect adjustments to carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

## **COVID-19**

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the nine months ended June 30, 2021, the pandemic did not have a material impact on the Company's operations. The Company has taken steps to minimize the potential impact of the pandemic including safety measures with respect to personal protective equipment, the reduction in travel and the implementation of a virtual office including regular video conference meetings. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's unaudited condensed consolidated interim financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

## RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A, and has in place information systems, procedures and controls to ensure information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the unaudited condensed consolidated interim financial statements as at June 30, 2021 and 2020.

## FORWARD-LOOKING STATEMENTS

In various places in the MD&A, there are forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance and other matters affecting the Company. Forward-looking statements include information regarding possible or assumed future results or transactions as well as statements preceded by, followed by, or that include the words such as "believes," "expects," "anticipates," "estimates," "intends" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in any forward-looking statements.

## REVIEW OF FINANCIAL RESULTS

Financial data presented herein is expressed in thousands of Canadian dollars and is in accordance with IFRS.

### Results of operations

#### Summary of operating results

(Unaudited, in thousands of Canadian dollars, except per share amounts)

	Nine months ended June 30,	
	2021	2020
Revenue	\$ -	\$ -
Loss before income taxes	(363)	(212)
Recovery of income taxes	-	2
Net loss for the period	<u>\$ (363)</u>	<u>\$ (210)</u>
Basic and diluted loss per share	<u><u>\$ (0.018)</u></u>	<u><u>\$ (0.010)</u></u>

## General and Administrative Expenses

	For the three months ended June 30, 2021	For the three months ended June 30, 2020	For the nine months ended June 30, 2021	For the nine months ended June 30, 2020
Consulting fees	\$ -	\$ 17	\$ 6	\$ 73
Management fees	-	-	-	-
Professional fees	38	27	101	64
Other	1	19	29	70
	<b>\$ 39</b>	<b>\$ 63</b>	<b>\$ 136</b>	<b>\$ 207</b>

Professional fees for the nine months ended June 30, 2021 was \$101 (2020 - \$64), which increased by \$37, compared to the same period in 2020 as a result of increased legal fees related to the extension of notes payable.

Consulting fees for the nine months ended June 30, 2021 was \$6 (2020 - \$73), which decreased by \$67, compared to the same period in 2020 as a result of the management change and reduction in overhead over the period.

## Stock-based compensation

Stock-based compensation was \$217 (2020 - \$Nil), as a result of stock options being granted to officers and directors of the Company during the nine months ended June 30, 2021.

## FINANCIAL CONDITION

(in thousands of dollars)

	June 30, 2021	September 30, 2020
Cash	\$ 159	\$ 277
Income taxes recoverable	2	2
Other assets	19	33
Total assets	<b>\$ 180</b>	<b>\$ 312</b>

## OUTSTANDING SHARE DATA

As at July 31, 2021, the Company's authorized capital stock consists of an unlimited number of Class B, voting shares, without par value, of which 20,575,866 shares are issued and outstanding at a stated value of \$35,890.

On October 22, 2020, the Company granted options to its directors and officers entitling the purchase of 2,057,586 class B shares at a price of \$0.13 per share. The options are for a five-year term, expiring on October 22, 2025, and vest on the date of grant.

The following table presents the fully diluted shares outstanding as at August 16, 2021:

Common shares	20,575,866
Options	2,057,586
<b>Fully diluted shares outstanding</b>	<b>22,633,452</b>

## NOTES PAYABLE

On January 14, 2020, the Company completed the private placement of unsecured promissory notes for gross proceeds of \$345. The purpose of this borrowing was to provide the Company with sufficient working capital for general corporate purposes while management and the Board of Directors decide on the future direction of the Company. The promissory notes bear interest at the annual rate of 4% and are repayable without penalty at any time prior to maturity. The principal amount and all accrued and unpaid interest were due on January 14, 2021. On January 13, 2021, the terms of the notes were amended to extend the maturity date to April 14, 2021. On April 14, 2021, the terms of the notes were amended to extend the maturity date to July 14, 2021. All other terms and conditions remain in full force and effect. As at August 16, 2021, the company is in default on these notes payable.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

(in thousands of dollars)

	<b>Nine months ended</b>	
	<b>June 30 2021</b>	June 30, 2020
Cash from (used in):		
Operating activities	<b>\$(118)</b>	\$(97)
Financing activities	<b>-</b>	345
Increase (decrease) in cash	<b>(118)</b>	248
Cash, beginning of the period	<b>277</b>	61
Cash, end of the period	<b>\$159</b>	\$309

The decrease of cash was due to the receipt of proceeds from private placement of unsecured promissory notes of \$345 in January 2020, whereas no financing was received for the nine months ended June 30, 2021. At June 30, 2021, the Company is facing material liquidity risk as explained above under GOING CONCERN.

## TRANSACTIONS WITH RELATED PARTIES

Related party transactions consist of management compensation, share-based compensation, rent expense and legal fees.

Transactions with related parties during the period were as follows:

	<b>Nine months ended</b>		<b>Three months ended</b>	
	<b>June 30</b>	June 30	<b>June 30</b>	June 30
	<b>2021</b>	2020	<b>2021</b>	2020
Legal fees	\$ 27	\$ 40	\$ -	\$ 19
Management fee expense (to a former director)	6	73	-	17
Rent expense (to a former director)	-	3	-	1
Stock based compensation (note 8)	217	-	-	-

As at June 30, 2021, the Company's accounts payable balance consists of \$37 (June 30, 2020 - \$NIL) owing to a law firm that provides legal services to the Company in which a director of the Company is a partner.

During the nine months ended June 30, 2021, the Company granted options to its directors and officers entitling the purchase of 2,057,586 class B shares at a price of \$0.13 per share. The options are for a five-year term, expiring on October 22, 2025, and vest on the date of grant. The Company recognized \$217 (2020 - \$NIL) of stock-based payments that were recorded as contributed surplus.

## RISK MANAGEMENT

### Liquidity Risk

Liquidity risk is managed by maintaining cash in excess of projected needs. At June 30, 2021, the Company is facing material liquidity risk as explained above under GOING CONCERN.

The Company's contractual obligations are its accounts payable and accrued liabilities and notes payable. Uncertainty exists whether the Company can discharge these obligations within the next twelve months as explained above under GOING CONCERN.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## **OUTLOOK**

Management and the Board of Directors are considering options as to the Company's future as the Company had discontinued and divested substantially all of its operations, and had ceased to be actively engaged in any ongoing business in 2017. Uncertainty exists as to the Company's ability to continue as a going concern as explained above under GOING CONCERN.

Additional information relating to the Company has been filed on SEDAR and can be found at [www.sedar.com](http://www.sedar.com)