

**ADDED CAPITAL INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE THREE MONTHS ENDED JUNE 30, 2018 AND 2017**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**August 27, 2018**

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of the Company are the views of management and should be read in conjunction with the consolidated financial statements and related notes for the three months ended June 30, 2018 and 2017, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Canadian dollars unless otherwise indicated.

The Company's Audit Committee and Board of Directors have reviewed and approved the MD&A on August 27, 2018.

### **Overview**

Added Capital Inc. ("Added" or the "Company") wholly owns Northern Securities Inc. ("Northern Securities" or "NSI"), a prior member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). Prior to December 31, 2012, the Company carried on a traditional brokerage and investment banking business. Effective December 31, 2012, NSI ceased carrying on its brokerage business because it could not secure an alternative carrying broker when Penson Financial Services Canada ("Penson") terminated its carrying brokerage business in Canada. NSI reached arrangements to transfer its client accounts and investment advisors to other IIROC dealer members by December 31, 2012.

As a result of the termination of its brokerage business, NSI developed a capital deficiency which resulted in NSI being suspended as an IIROC dealer member on March 19, 2013. As a result of the suspension, the Company carried on the business of mergers and acquisitions ("M&A"), research and corporate finance, restructurings, proxy solicitations and merchant banking as and from March 19, 2013.

On March 28, 2012, the common shares of the Company commenced trading on the TSX Venture Exchange under the trading symbol "NFC". Prior to this date the Company's shares were traded on the Toronto Stock Exchange. On July 2, 2014, the Company changed its name to Added Capital Inc. and its trading symbol to "AAD".

### **Need for Profitable Operations**

Due to a lack of investor interest in small-cap stocks, numerous small cap companies are unable to execute on their growth plans in the manner they have in the past. Many of these companies are in need of assistance in areas such as finance, operations, investor relations, and governance. The Company has acted as an involved investor, assisting companies to improve their ability to meet their growth targets, carry out their capital market objectives and implement appropriate value creation strategies.

The best example in the team's history of this involved ownership is Lakeside Steel Inc. ("Lakeside"), where an investor group led by the Company purchased shares of Lakeside, then a private company, and the team arranged for turnaround management to be put in place and took an active role on the Board. Lakeside was taken public by NSI in a financing that strengthened Lakeside's balance sheet. After the turnaround, Lakeside subsequently hired a very good CEO with the substantial involvement of the Company, and raised \$45 million in two rounds of financing, led by a highly respected independent investment bank, which allowed Lakeside to pursue an aggressive growth plan in the United States. Subsequently, Lakeside was sold to a large steel company in the U.S.

The Company has substantial experience in M&A, restructurings and proxy solicitations. Traditional M&A includes acting as an advisor to any party to an M&A transaction or acting for the Board of Directors or management or any shareholder. Any M&A service may also involve the preparation of a fairness opinion or valuation.

The team has considerable experience in financial restructurings. More and more companies will require this service if capital markets continue to remain unfavourable to small cap companies.

Proxy solicitation is a low margin business and labour intensive; however, from time to time this service can generate reasonable work and success fees.

### **Business Environment**

The Company's corporate client base consists of small cap mining, technology and special situation companies. In the past few years the capital markets have not been receptive to small cap mining companies that do not have producing or near producing assets. Commodity prices have weakened and mining company share prices have plummeted.

The downturn has, however, created selective positive acquisition opportunities for the Company and its clients. The Company is substantially active in the M&A advisory business with a number of M&A engagements with small cap companies.

### Results of Operations for the three months ended June 30, 2018

The Company reports a consolidated net loss of \$58,601 for the three months ended June 30, 2018, compared to a net loss of \$49,438 in 2017.

#### Revenue

Total revenue loss for the three months ended June 30, 2018 was \$5,321, compared with revenue of \$250 in 2017.

Financial advisory revenue for the three months ended June 30, 2018 increased to \$5,000 from \$Nil in 2017. Other income for the three months ended June 30, 2018 amounted to \$321 (2017 - \$250).

Revenue of the Company is dependent upon the strength of the commodities markets and the general condition of the financial markets. Fluctuations in the financial markets will have a significant adverse effect on the financial results of the Company as will the Company's ability to enter into successful advisory arrangements. The Company had a number of active success-based advisory engagements open during the period ended June 30, 2018. The success of these engagements may or may not be realized in future periods.

#### Expenses

Total expenses for the three months ended June 30, 2018 were \$63,922 (2017 - \$49,688). General and administrative expenses are the operating expenses of the Company which includes compensation and general overhead. The Company had general and administrative expenses of \$63,922 as compared to \$49,688 in 2017. General and administrative expenses include \$41,079 (2017 - \$37,500) in management fees and salaries, \$Nil (2017 - \$Nil) in mailing and shareholder communication costs, \$5,074 (2017 - \$3,000) in travel, \$6,525 (2017 - \$5,438) in audit and legal fees, \$3,750 (2017 - \$3,750) in director's fees, \$707 (2017 - \$Nil) in office and general expenses and \$6,787 (2017 - \$4,653) in listing and filing fees. General and administrative expenses are expected to be consistent in future periods.

### Quarterly Financial Information

For the quarters ended	Jun 30/18	Mar 31/18	Dec 31/17	Sep 30/17
Total revenue (loss)	\$ 5,321	\$ (13,749)	\$ 42,191	\$ 12,127
Net income (loss)	(58,601)	(189,562)	(11,917)	(58,460)
Net income (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)

For the quarters ended	Jun 30/17	Mar 31/17	Dec 31/16	Sep 30/16
Total revenue	\$ 250	\$ 222	\$ 38,448	\$ 50,384
Net income (loss)	(49,438)	58,467	(7,321)	80,805
Net income (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.01

### Liquidity, Capital Resources and Cash Flows

The Company had cash of \$1,397 as at June 30, 2018 compared to \$1,286 as at March 31, 2018.

The Company used cash in operations of \$15,182 in the three months ended June 30, 2018 (2017 - \$7,056).

The Company's working capital deficiency at June 30, 2018 was \$2,034,362. The Company also has certain loans that have matured and have not been repaid.

Overall because of the materially adverse events that have occurred in fiscal 2013 including the loss of NSI's brokerage business and its suspension as an IIROC Dealer Member, the Company's assets, revenue and ongoing expenses have all dropped considerably, and its liabilities have increased substantially to the point of testing the Company's ability to continue as a going concern.

While the Company has prepared its consolidated financial statements on the basis of accounting principles applicable to a going concern, certain adverse conditions create some uncertainty relating to this assumption. While the Company has been profitable in recent years, the Company continues to have substantial debt. The Company's continued operation is dependent upon its ability to maintain profitable operations and continue a positive financial restructuring of its debt. The recent debt settlements have been a positive step towards a financial restructuring. In addition three lenders including Alboini have waived all interest both historical and going forward, and there are no fixed dates for repayment. These three lenders with loans totaling \$1,022,999 are cooperating with the Company.

Outlined below are the contractual obligations as of June 30, 2018 including payments due for each of the next five years and thereafter:

#### Payments Due by Period

Contractual Obligations	Total	Less than 3 months	3 months to less than 6 months	6 months to 1 year	1 to 3 years	4 to 5 years	After 5 years
Short-term loans	\$1,022,999	\$1,022,999	-	-	-	-	-
Total	\$1,022,999	\$1,022,999	-	-	-	-	-

#### Management of Capital

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

	June 30, 2018	March 31, 2018
Short-term loans payable	\$ 1,022,999	\$ 1,007,706
Shareholders' deficiency comprised of:		
Share capital	4,016,634	4,016,634
Warrants	312,952	312,952
Contributed surplus	1,796,652	1,796,652
Deficit	(8,673,455)	(8,614,854)
	(\$ 1,524,218)	(\$ 1,480,910)

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

On October 9, 2017, the Company paid a special dividend of \$0.002349081 per share on its common shares, to shareholders of record on September 25, 2017. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended June 30, 2018 and 2017.

The Company is also subject to capital requirements imposed by the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of June 30, 2018, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### **Dividends**

On October 9, 2017, the Company paid a special dividend of \$0.002349081 per share on its common shares, to shareholders of record on September 25, 2017.

### **Off-Balance Sheet Arrangements**

The Company had no off-balance sheet arrangements as of June 30, 2018 and August 27, 2018.

### **Critical Accounting Estimates**

#### *Significant judgments, estimates and assumptions*

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

#### *Valuation of financial instruments*

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

#### *Income and other taxes*

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

#### *Impairment*

The carrying value of investment in associated company, and property and equipment is reviewed each reporting period to determine whether there is an indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in net income. The assessment of recoverable amount requires the use of estimates and assumptions for discount rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of the assets could impact the impairment analysis.

#### *Provisions and contingencies*

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management’s best estimates of timing, and quantum of future outflows. See Note 10 of the accompanying consolidated financial statements.

#### *Going concern*

For further information regarding going concern refer to Note 1 of the accompanying consolidated financial statements.

## Financial Instruments

### *Financial instruments – recognition and measurement*

All financial instruments are classified into one of five categories: fair value through profit and loss, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as “fair value through profit and loss”, directly attributable transaction costs.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value with changes in fair value recognized through profit or loss;
- Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired at which time the amounts would be recorded in profit or loss; or
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash and cash equivalents and accounts receivable are classified as loans and receivables. Securities owned and derivatives are classified as fair value through profit and loss. Short-term loans payable, and accounts payable and accrued liabilities are classified as other financial liabilities.

The following is a description and analysis of the risks associated with financial instruments that may affect the Company:

### *Fair value of financial assets and financial liabilities*

Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company’s financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

### *Market risk*

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels. As at June 30, 2018, based on a 1% change in the fair value of the Company’s securities, the estimated sensitivity of the Company’s net income was (\$Nil) (March 31, 2018 – (\$180)), based on a decrease and \$Nil (March 31, 2018 – \$180), based on an increase.

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. As at June 30, 2018, the Company does not have interest-bearing loans.

### *Foreign exchange risk*

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

### *Liquidity risk*

Liquidity risk is the risk that results from the Company’s potential inability to meet its financial obligations as they come due. The Company generates cash flow primarily from its commission and fee based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations. See Note 1 of the accompanying financial statements.

The Company has loans outstanding of \$1,022,999 as at June 30, 2018 (March 31, 2018 - \$1,007,706).

## Share Capital Information

Outlined below is selected current share capital information related to the Company as at August 27, 2018:

Description	Number
Common shares issued and outstanding	17,027,933
Common share purchase warrants issued and outstanding	6,660,000
Common share purchase options issued and outstanding	550,000

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of \$8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors. The Company intends to satisfy its historic ESPP obligation of 188,094 shares at June 30, 2018 which include matching shares by acquiring shares in the market on behalf of participants in the ESPP.

## Subsequent Events

There were no subsequent events that would have a material impact on this report.

## Related Party Transactions

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

- a) During the three months ended June 30, 2018, Alboini and Stature provided net loan advances of \$15,293 to the Company (2017 – \$6,767), resulting in a balance of \$322,999 owing to them as at June 30, 2018 (March 31, 2018 - \$307,706). During the year ended March 31, 2014, Alboini and Stature waived all historical and future interest on their total loans to the Company. There is no current repayment date on the loans.
- b) As at June 30, 2018, the Company had \$500,000 (March 31, 2018 - \$500,000) in loans payable to a former director of the Company.
- c) Accounts payable and accrued liabilities includes \$478,620 in fees due to officers and current and former directors as at June 30, 2018 (March 31, 2018 - \$384,370).

## Compensation to key management personnel

Compensation paid or payable during the three months ended June 30, 2018 and 2017 to persons and corporation in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

	2018	2017
Fees and benefits	\$ 44,250	\$ 44,250
Share-based compensation	-	-
Total	\$ 44,250	\$ 44,250

## Commitments, Provisions and Contingencies

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings

are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

### **Future Accounting Policies**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after July 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

### **Forward-Looking Statements**

This MD&A contains “forward-looking statements” that reflect Added's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as “estimate”, “consider”, “expect”, “anticipate”, “objective” and similar expressions or variations of such words. Forward looking statements are, by their very nature, not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Added's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward looking statements. No representation or warranty is intended with respect to anticipated future results, that estimates and projections will be sustained or that any project will otherwise prove to be economic.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

### **Additional Information**

Additional information on the Company has been filed electronically through the System for Document Analysis and retrieval (“SEDAR”) and is available online at [www.sedar.com](http://www.sedar.com).