

BUCEPHALUS CAPITAL CORP.
40 King Street West, Suite 1700
Toronto, Ontario, M5H 3Y2

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of shareholders of subordinated voting shares (“**SVS**”) and multiple voting shares (“**MVS**”) of **Bucephalus Capital Corp.** (the “**Corporation**”) will be held on **Tuesday, June 8, 2021**, at the hour of 4:00 p.m. (Eastern time), in a virtual only format, which will be conducted via live audio webcast at <https://virtual-meetings.tsxtrust.com/1132>, for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the year ended December 31, 2020, and the report of the auditors thereon;
2. to appoint the auditors of the Corporation and to authorize the directors of the Corporation to fix their remuneration;
3. to elect the directors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed;
4. to consider, and if thought advisable, pass, with or without variation, a special resolution (the “**Name Change Resolution**”), the full text of which is set forth in the accompanying management information circular, approving the amendment of the articles of incorporation of the Corporation to change the name of the Corporation to “Prophecy DeFi Inc.” or such other name as the directors of the Corporation, in their sole discretion, may determine (the “**Name Change**”);
5. to consider, and if thought advisable, pass, with or without variation, a special resolution (the “**Share Conversion Resolution**”), to provide for the automatic conversion of all SVS, MVS and preferred shares (“**PS**”) (the SVS, MVS and PS are collectively referred to as the “**Shares**”) into a new class of common shares (the “**New Common Shares**”), effective immediately following the receipt by the Corporation of all necessary regulatory approvals at a conversion ratio of one (1) New Common Share for each Share (the “**Share Conversion**”); and
6. to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his or her duly executed form of proxy with the Corporation’s transfer agent and registrar, TSX Trust Company, at Suite 301, 100 Adelaide Street West, Toronto, Ontario M5H 4H1, or go to www.voteproxyonline.com and enter his or her 12-digit control number by 10:00 a.m. (Eastern time) on Friday, June 4, 2021, or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned meeting.

Shareholders who are unable to attend the Meeting in person, are requested to date, complete, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

The board of directors of the Corporation has by resolution fixed the close of business on Wednesday, May 5, 2021 as the record date, being the date for the determination of the registered holders of the Shares of the Corporation entitled to receive notice of, and to vote at, the Meeting and any adjournment thereof.

COVID-19 GUIDANCE

In the context of the effort to mitigate potential risk to the health and safety associated with COVID-19 and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the Corporation will be holding its meeting in a virtual only format and the shareholders will not be able to attend the Meeting in person. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out herein and in the accompanying management information circular dated May 5, 2021 of the Corporation.

The accompanying management information circular provides additional detailed information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this notice of annual and special meeting. Additional information about the Corporation and its financial statements are also available on the Corporation's profile at www.sedar.com.

DATED at Toronto, Ontario this 5th day of May, 2021.

BY ORDER OF THE BOARD

“John McMahon” (signed)
President and Chief Executive Officer

BUCEPHALUS CAPITAL CORP.
40 King Street West, Suite 1700
Toronto, Ontario, M5H 3Y2

MANAGEMENT INFORMATION CIRCULAR

This information is given as of May 5, 2021, unless stated otherwise

SOLICITATION OF PROXIES

THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF BUCEPHALUS CAPITAL CORP. (the “**Corporation**”) of proxies to be used at the annual and special meeting of shareholders of the Corporation to be held in a virtual only format which will be conducted via live audio webcast at <https://virtual-meetings.tsxtrust.com/1132>, on Tuesday, June 8, 2021 at 4:00 p.m. (Eastern time), and at any adjournment or postponement thereof (the “**Meeting**”) for the purposes set out in the accompanying notice of meeting (the “**Notice of Meeting**”). See “Attending the Shareholder Meeting Electronically” for details on the instructions to access and vote at the Meeting. Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other proxy solicitation services. In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), arrangements have been made with brokerage houses and clearing agencies, custodians, nominees, fiduciaries or other intermediaries to send the Notice of Meeting, this management information circular (the “**Management Information Circular**”), the annual financial statements of the Corporation for the financial year ended December 31, 2020 and other meeting materials, if applicable (collectively the “**Meeting Materials**”) to the beneficial owners of all Shares (as defined below) held of record by such parties. The Corporation may reimburse such parties for reasonable fees and disbursements incurred by them in doing so. The costs of the solicitation of proxies will be borne by the Corporation. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Corporation in favour of the matters set forth in the Notice of Meeting.

COVID-19 GUIDANCE

In the context of the effort to mitigate potential risk to the health and safety associated with COVID-19 and in compliance with the orders and directives of the Government of Canada, the Province of Ontario and the City of Toronto, the Corporation will be holding its meeting in a virtual only format and the shareholders will not be able to attend the Meeting in person. All shareholders are encouraged to vote on the matters before the Meeting by proxy in the manner set out in the Notice of Meeting and this Management Information Circular.

Shareholders will have an equal opportunity to participate at the Meeting online regardless of geographic location. Registered shareholders and proxyholders will be able to attend the virtual meeting via a smartphone, laptop or computer and vote, and will be considered to be present in person at the Meeting for the purposes of determining quorum. Non-registered shareholders (“**Non-Registered Shareholders**”) who have not duly appointed themselves as proxyholder will be able to attend the virtual Meeting as a guest, but will not be able to vote at the Meeting. This is because the Corporation and its transfer agent do not have a record of the Non-Registered Shareholders, and, as a result, will have no knowledge of their shareholdings or entitlement to vote unless they appoint themselves as proxyholder. Please see “Appointment and Revocation of Proxies” below.

ATTENDING THE SHAREHOLDER MEETING ELECTRONICALLY

The Meeting will be held online at <https://virtual-meetings.tsxtrust.com/1132>. In order to access the Meeting, shareholders will require internet connectivity. It is strongly recommended that shareholders access the Meeting at least 15 minutes before the Meeting starts and ensure his or her web browser and internet connection are working properly.

Shareholders can simply go to the above website in his or her web browser (not a Google search) on his or her smartphone, tablet or computer. Shareholders will need the latest versions of Chrome, Safari, Edge or Firefox. It is important that shareholders ensure their internet browser is compatible by logging in early. Please do not use internet explorer.

I have a control number

If a shareholder received a form of proxy from the Corporation's transfer agent and registrar, TSX Trust Company (the "**Transfer Agent**"), with a control number, such shareholders should select "**I have a control number**" and enter his or her control number and the following case sensitive password:

bucephalus2021

I am a Guest

If a shareholder does not have a control number, such shareholders should select "**I am a Guest**" and fill in the required information.

Navigation

When successfully authenticated, the info screen will be displayed. Shareholders can view the Corporation's information, ask questions and watch the webcast. If a shareholder would like to watch the webcast, press the play icon. If viewing on a computer, the webcast will appear automatically once the Meeting has started.

Voting

Once the voting is announced, shareholders should click the voting icon on the left-hand side. To vote, simply select the desired voting direction from the options shown on screen and click "**Submit**". A confirmation message will appear to show the vote has been received. If a shareholder has additional control numbers to vote, click "**I have additional control numbers**" at the top to enter the additional credential. To change a vote, simply click "**Refresh Voting Resolutions**". Voting will remain open until the voting on the ballot is closed.

How to vote by proxy

Voting by proxy means appointing someone (a proxyholder) to attend the Meeting and vote according to instructions provided by the Shareholder.

1. Appointing someone as proxyholder. John McMahon whom failing Roland Nimmo will be the Meeting's default proxyholders unless the shareholder appoints someone else. If a shareholder wants to appoint someone else to be their proxyholder, follow the instructions set out below in "Appointment and Revocation of Proxies".

The person the shareholder appoints will need to contact the Transfer Agent at TMXEInvestorServices@tmx.com to request a control number to be represented or voted at the Meeting. It is the responsibility of the shareholder to advise their proxy (the person they appoint) to contact the Transfer Agent to request a control number. Without the control number, proxyholders will not be able to participate at the Meeting.

2. Provide voting instructions. See "Exercise of Discretion by Proxies" below.

3. Send in proxy form. See "Appointment and Revocation of Proxies" below.

Questions

Eligible shareholders attending the meeting may ask questions during the Meeting. Messages can be submitted at any time during the Q&A session up until the chair closes the session. If a shareholder would like to ask a question, select the "**Ask a Question**" icon on the left. Type the desired message within the chat box in the messaging screen. Once

happy with the message, click the “Ask Now” button. Questions sent via TSX Trust Virtual Meeting platform will be moderated before being sent to the chair.

It is the shareholders’ responsibility to ensure connectivity during the Meeting and the Corporation encourages its shareholders to allow sufficient time to log in to the Meeting before it begins. It is strongly recommended that shareholders access the Meeting at least 15 minutes before the Meeting starts.

APPOINTMENT AND REVOCATION OF PROXIES

The purpose of a form of proxy is to designate persons who will vote on the shareholder’s behalf in accordance with the instructions given by the shareholder in the form of proxy. The persons named in the enclosed form of proxy are officers or directors of the Corporation. **A REGISTERED SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM OR HER AT THE MEETING MAY DO SO BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.** A registered shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must, in all cases, deposit the completed form of proxy with the Transfer Agent not later than 4:00 p.m. (Eastern time) on Friday, June 4, 2021 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays, preceding the time of such adjourned Meeting at which the form of proxy is to be used. A form of proxy should be executed by the registered shareholder or his or her attorney duly authorized in writing or, if the registered shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies may be deposited with the Transfer Agent using one of the following methods:

By Mail or Hand Delivery:	TSX Trust Company Suite 301 100 Adelaide Street West Toronto, Ontario M5H 4H1
By Fax:	416-595-9593
By Internet:	www.voteproxyonline.com You will need to provide your 12 digit control number (located on the form of proxy accompanying this Management Information Circular).

A registered shareholder attending the Meeting has the right to vote at the Meeting and, if he or she does so, his or her form of proxy is nullified with respect to the matters such person votes upon at the Meeting and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

A registered shareholder who has given a form of proxy may revoke the form of proxy at any time prior to using it: (a) by depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney authorized in writing or by electronic signature or, if the registered shareholder is a corporation, by an authorized officer or attorney thereof at, or by transmitting by telephone or electronic means, a revocation signed, subject to the *Business Corporations Act* (Ontario), by electronic signature, to (i) the registered office of the Corporation, located at 40 King Street West, Suite 1700, Toronto, Ontario, M5H 3Y2, at any time prior to 5:00 p.m. (Eastern time) on the last business day preceding the day of the Meeting or any adjournment thereof or (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof; or (b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

A shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted or withheld from voting in accordance with the instructions, if any, of the shareholder on any ballot that may be called for. If the shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly by the proxy.

In the absence of such direction in respect of a particular matter, such shares will be voted in favour of such matter. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. As of the date of this Management Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any such amendments, variations or other matters which are not now known to the management of the Corporation should properly come before the Meeting, the shares represented by the proxies hereby solicited will be voted thereon in accordance with the best judgment of the person or persons voting such proxies.

All matters to be voted upon as set forth in the Notice of Meeting, except in respect of the special resolutions, require approval by a simple majority of all votes cast at the Meeting. Special resolutions require the affirmative vote of not less than two-thirds of the votes cast by the shareholders who vote in respect of that resolution in order to be passed.

ADVICE TO NON-REGISTERED SHAREHOLDERS

Only registered holders of Shares or the persons they appoint as their proxies are permitted to vote at the Meeting. Many shareholders are Non-Registered Shareholders because the shares they own are not registered in their names but are instead either (i) registered in the name of an intermediary (the “**Intermediary**”) that the Non-Registered Shareholder deals with in respect of the Shares, such as, among others, brokerage firms, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans, or (ii) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has distributed copies of the Notice of Meeting, this Management Information Circular and the enclosed form of proxy (collectively the “**Meeting Materials**”) to Intermediaries and clearing agencies for onward distribution to Non-Registered Shareholders of Shares.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the meeting materials to Non-Registered Shareholders. A Non-Registered Shareholder who has not waived the right to receive the Meeting Materials will either be given:

- (a) a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, in accordance with the directions of the Intermediary and which will constitute voting instructions which the Intermediary must follow; or
- (b) a form of proxy **which has already been signed by the Intermediary** (typically a facsimile signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. This form of proxy does not require the Intermediary to sign when submitting the proxy. In this case the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Corporation, c/o TSX Trust Company, Attn: Proxy Department, 301 - 100 Adelaide St W Toronto, Ontario M5H 4H1 or faxed to 1-416-361-0470.**

In either case, the purpose of these procedures is to permit the Non-Registered Shareholder to direct the voting of the Shares of the Corporation the Non-Registered Shareholder beneficially owns. Should a Non-Registered Shareholder wish to attend and vote at the Meeting in person, (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert his or her name in the space provided for the purpose on the voting instructions form and return it in accordance with the directions of the Intermediary.

The Non-Registered Shareholder should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instructions form is to be delivered.

A Non-Registered Shareholder may revoke a form of proxy or voting instructions form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's Shares are held and following the instructions of the Intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation is authorized to issue an unlimited number of subordinate voting shares ("SVS"), an unlimited number of multiple voting shares ("MVS") and an unlimited number of preferred shares ("PS") (the SVS, MVS and PS are collectively referred to as the "Shares"). As of May 5, 2021, there were 63,915,419 SVS issued and outstanding and 2,398,821 MVS issued and outstanding. The Corporation has no PS issued and outstanding. All of the outstanding Shares are entitled to be voted at the Meeting, each as a separate class, and, unless otherwise stated herein, each resolution identified in the accompanying Notice of Meeting will either be an ordinary resolution requiring for its approval a majority of the votes in respect of the resolution or a special resolution requiring for its approval two-thirds of the votes in respect of the resolution.

The Record Date for the Meeting is May 5, 2021 (the "Record Date"). Each SVS shareholder is entitled to one vote for each SVS shown as registered in such holder's name on the list of shareholders prepared as of the close of business on May 5, 2021 and each MVS shareholder is entitled to four votes for each MVS shown as registered in such holder's name on the list of shareholders prepared as of the close of business on May 5, 2021, with respect to all matters to be voted on at the Meeting. The holders of the SVS and MVS will vote their respective shares separately as a class. However, in the event of a transfer of Shares by any such holder after such date, the transferee is entitled to vote those Shares if such transferee produces a certificate in his, her or its name or properly endorsed share certificates or otherwise establishes that such transferee owns the Shares, and requests, not later than ten days before the Meeting, that the Corporation's transfer agent, TSX Trust, include the transferee's name in the list of shareholders entitled to vote at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, no person beneficially owns or exercises control over, directly or indirectly, Shares carrying more than 10% of the voting rights.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

Pursuant to applicable securities regulations, the Corporation must disclose the compensation paid to its "Named Executive Officers". This includes the Corporation's Chief Executive Officer, the Corporation's Chief Financial Officer (or an individual that served in a similar capacity) and the other three most highly compensated executive officers provided that disclosure is not required for those executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation did not exceed \$150,000.

Compensation Discussion and Analysis

The Corporation, due its relatively small size and inactive nature, is limited in terms of the manner in which its directors and executives can be compensated. As such, board of directors of the Corporation (the "Board"), as a whole, was able to determine matters related to executive and director compensation.

Option-Based Awards

Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Corporation's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Corporation in compensating, attracting, retaining and motivating the officers of the Corporation and to closely align the personal interests of such persons to the interests of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant.

Summary compensation table

The following table sets forth the compensation earned by the Named Executive Officers for the year ended December 31, 2020. The following table does not disclose any information regarding Mr. John McMahon, the Chief Executive Officer of the Corporation, and Mr. Roland Nimmo, the Chief Financial Officer of the Corporation, as each of them was appointed to his position with the Corporation after the financial year of the Corporation ended December 31, 2020.

Name and position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Lucas Ewart ⁽¹⁾ CEO	2020 2019	60,000 60,000	Nil Nil	Nil Nil	N/A N/A	N/A N/A	N/A N/A	Nil Nil	60,000 60,000
Chris Carmichael ⁽²⁾ CFO	2020 2019	40,000 N/A	Nil N/A	Nil N/A	N/A N/A	N/A N/A	N/A N/A	Nil N/A	40,000 N/A
Jennifer Robb ⁽²⁾ CFO	2020 2019	12,000 36,000	Nil Nil	Nil Nil	N/A N/A	N/A N/A	N/A N/A	Nil Nil	12,000 \$36,000

Notes:

- (1) Mr. Ewart resigned as Chief Executive Officer and director on March 2, 2021 and Mr. McMahon was appointed Chairman, Chief Executive Officer and director in his stead.
- (2) Ms. Robb resigned as Chief Financial Officer on April 30, 2020 and Mr. Carmichael was appointed in her stead. Mr. Carmichael resigned on March 19, 2021 and Mr. Nimmo was appointed in his stead.

INCENTIVE PLAN AWARDS

Outstanding Option-Based Awards

The following table sets forth the outstanding option-based awards granted to Named Executive Officers of the Corporation as at December 31, 2020:

Name and principal position	Type of Security	Number of securities underlying unexercised options (#) ⁽¹⁾	Option-based Awards					Share-based Awards			
			Date of issue or grant	Option exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market value of vested shares not paid out (\$)
Chris Carmichael CFO	Stock options ⁽²⁾	700,000 stock options exercisable for 700,000 SVS representing 2.9% of the outstanding SVS	May 27, 2016	\$0.07	\$0.05	\$0.07	May 27, 2021	Nil	Nil	Nil	Nil

Name and principal position	Type of Security	Number of securities underlying unexercised options (#) ⁽¹⁾	Option-based Awards					Share-based Awards			
			Date of issue or grant	Option exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market value of vested shares not paid out (\$)
Lucas Ewart CEO	Stock options ⁽²⁾	400,000 stock options exercisable for 400,000 SVS representing 1.7% of the outstanding SVS	May 27, 2016	\$0.07	\$0.05	\$0.07	May 27, 2021	Nil	Nil	Nil	Nil

Notes:

(1) Calculated on a partially diluted basis at December 31, 2020

(2) The fair value of these options, at the date of grant, was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: share price \$.07, dividend yield nil, expected volatility 100% (based on the historical price history of the Common Shares), risk-free rate of return .78% and an expected life of 5 years.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value vested during the year for Option-based awards:

Name and principal position	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value vested during the year (\$)
Lucas Ewart CEO	N/A	N/A	N/A
Chris Carmichael CFO	N/A	N/A	N/A

2015 Stock Option Plan

The Corporation currently maintains a stock option plan, which was approved by the shareholders on September 8, 2015 (the “**2015 Stock Option Plan**”). The purpose of the 2015 Stock Option Plan is to encourage share ownership by directors, senior officers and employees, together with consultants, who are primarily responsible for the management and growth of the business of the Corporation. The number of SVS, the exercise price per SVS, the vesting period and any other terms and conditions of options granted pursuant to the 2015 Stock Option Plan, from time to time, are determined by the Board at the time of the grant, subject to the defined parameters of the 2015 Stock Option Plan and compliance with the policies of the Canadian Securities Exchange.

The maximum number of SVS which may be reserved and set aside for issue under the 2015 Stock Option Plan is equal to up to 10% of the issued and outstanding SVS, provided that the Board may, subject to shareholder and regulatory approvals, increase such number.

The 2015 Stock Option Plan is administered by the Board, which has the authority thereunder to delegate its administration and operation to a special committee of directors appointed from time to time by the Board. Participation is limited to directors, officers, employees and consultants providing services to the Corporation. The number of Common Shares which can be reserved for issuance under the 2015 Stock Option Plan: (a) to any individual director or officer shall not exceed 5% of the issued and outstanding SVS; and (b) to all consultants shall not exceed 2% of the issued and outstanding SVS.

The 2015 Stock Option Plan also provides for adjustments to outstanding options in the event of any consolidation, subdivision, conversion or exchange of the Corporation's shares. As of the date of the Circular, there are 3,550,000 stock options outstanding under the 2015 Stock Option Plan.

DIRECTOR COMPENSATION

The Corporation believes grants of options align the directors' incentives with shareholders because these awards have value only if the market price of the Shares increases over time.

During the most recently completed financial year, the directors of the Corporation received no fees for attendance at meetings of the Board and committee participation. The directors may be reimbursed for actual expenses reasonably incurred in connection with the performance of their duties as directors. Directors are also eligible to receive options to purchase Common Shares pursuant to the 2015 Stock Option Plan.

Summary Compensation Table

The following table describes all compensation provided to the directors of the Corporation for the most recently completed financial year.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Jason Ewart	Nil	Nil	Nil	N/A	N/A	Nil	Nil
Alec Regis ⁽¹⁾	Nil	Nil	Nil	N/A	N/A	Nil	Nil
Lucas Ewart	Nil	Nil	Nil	N/A	N/A	Nil	Nil

Note:

- (1) Mr. Regis will not stand for re-election at the Meeting.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The table below sets forth information as at the Record Date with respect to the Corporation's compensation plans under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding convertible security (a)	Weighted-average exercise price of outstanding convertible security (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,550,000	\$0.341	2,841,541
Equity compensation plans not approved by security holders	Nil	N/A	N/A

TERMINATION AND CHANGE OF CONTROL BENEFITS

The Corporation has no employment contracts with any Named Executive Officer or director and therefore has no plans or arrangements in respect of any compensation received or that may be received by a Named Executive Officer or director in the financial year ended December 31, 2020 in respect of compensating such director or officer in the event of termination (as a result of resignation, retirement or change of control) or in the event of change of responsibilities following a change of control.

PENSION PLAN BENEFITS

The Corporation does not have any pension plan benefits.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED ON

Other than as otherwise disclosed herein, no director or executive officer of the Corporation who was a director or executive officer at any time since the beginning of the last financial year of the Corporation, or any associate or affiliates of any such directors or officers, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the Board, the matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

1. PRESENTATION OF FINANCIAL STATEMENTS

The audited financial statements of the Corporation for the year ended December 31, 2020 and the report of the auditors will be placed before the shareholders at the Meeting. No vote will be taken on the financial statements. The financial statements and additional information concerning the Corporation are available under the profile of the Corporation on SEDAR at www.sedar.com.

2. APPOINTMENT OF AUDITOR

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF MNP LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS AUDITORS OF THE COMPANY, TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS OF THE COMPANY OR UNTIL A SUCCESSOR IS DULY ELECTED OR APPOINTED, AND TO AUTHORIZE THE DIRECTORS OF THE COMPANY TO FIX THE AUDITORS' REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. MNP LLP, Chartered Professional Accountants, were first appointed as the auditors of the Company on March 24, 2015.

3. ELECTION OF DIRECTORS

The articles of the Corporation provide that the Board shall consist of a minimum of one and a maximum of twenty directors, the number of which may be fixed from time to time by a resolution of the Board. As at the Record Date, the Corporation has four directors. The Board determined that Alec Regis, a current director of the Corporation, will not stand for re-election at the Meeting.

At the Meeting, the shareholders are required to elect the directors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed. It is advisable to elect John McMahon, Tim Diamond, Jason Ewart and Charlie Morris (the "**Proposed Directors**") as directors of the Corporation to serve from the date of election until the close of the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

The following sets forth the name of each of the persons proposed to be nominated for election as a director of the Corporation, and each such nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation, as applicable, the number of SVS & MVS of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date hereof:

Name, province or state and country of residence and position, if any, held in the Company	Principal Occupation	Served as Director of the Company since	Number of Shares beneficially owned, directly or indirectly, or controlled or directed at present ⁽¹⁾	Percentage of Voting Shares Owned or Controlled
John McMahon Ontario, Canada Chief Executive Officer and Director	Currently Managing Partner of Thought Launch Capital & Advisory. Prior, Vice Chairman and Head of Investment Banking for Mackie Research Capital Corporation and Managing Director of Investment Banking for Industrial Alliance Securities.	March 2, 2021	2,000,000 SVS	3.13%
Tim Diamond ⁽²⁾ Ontario, Canada Director	CEO of Whitehall Apartments Corp. since 2014.	March 2, 2021	1,500,000 SVS	2.35%
Jason Ewart ⁽²⁾ Ontario, Canada Director	Director & EVP Capital Markets of Hank Payments Corp.	December 31, 2015	7,305 SVS	0.01%
Charlie Morris ⁽³⁾ Ontario, Canada Proposed Director	Managing Partner of CMCC Global	Nominee	Nil	Nil

Note:

- (1) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- (2) Member of the Audit Committee.
- (3) Proposed Member of the Audit Committee.

The following is a brief description of each of the Proposed Directors (including details with regard to their principal occupations for the last five years):

John McMahon has held a number of senior banking roles within the investment industry and is currently Managing Partner of Thought Launch Capital & Advisory. Prior to this role, he served as Vice Chairman and Head of Investment Banking for Mackie Research Capital Corporation and subsequently, Managing Director of Investment Banking for Industrial Alliance Securities.

Tim Diamond brings over 30 years of entrepreneurial and managerial experience across asset management, real estate, merchant banking, and venture investing including founding, building and successfully exiting several companies. Since 2014, Mr. Diamond has been CEO of Whitehall Apartments Corp. a private REIT and has served on the boards of numerous publicly listed investment funds during his career.

Jason Ewart was the co-founder and the former Chief Executive Officer and Chief Operating Officer of Fountain Capital Corporation from 2003 until October 2017. Mr. Ewart is a Director & EVP Capital Markets of Hank Payments Corp, a Director of Quebec base HEXO Corp., Denver based Attorneys Title Guarantee Fund Inc., Toronto based Marathon Mortgage Corp., and a Director for the non-profit Northumberland Community Futures Development Corporation, which provides financing and strategic guidance to entrepreneurs. Mr. Ewart holds an economics degree from McGill University.

Charlie Morris is a co-founder and Managing Partner of CMCC Global in Toronto. Previously Mr. Morris was a software engineer focused on iOS and a technology sector management consultant London. Mr. Morris is also an expert advisor on blockchain and was an Ethereum ICO investor in 2014.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. Management has no reason to believe that any of the nominees will be unable to serve as a director but, **IF A NOMINEE IS, FOR ANY REASON, UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.**

Cease Trade Orders and Bankruptcies

To the knowledge of the Corporation, no proposed director, within 10 years before the date of this Management Information Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively an “**Order**”) and that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the proposed directors of the Company, within 10 years before the date of this Management Information Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Personal Bankruptcies

None of the proposed directors of the Company have, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Penalties and Sanctions

None of the proposed directors of the Company have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

4. AMENDMENT TO THE ARTICLES OF THE CORPORATION – NAME CHANGE

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass, with or without variation, a special resolution (the “**Name Change Resolution**”), which would authorize the Company to amend the articles of incorporation to change the name of the Corporation to “Prophecy DeFi Inc.” or such other name as the directors of the Corporation, in their sole discretion, may determine (the “**Name Change**”).

The Board may determine not to implement the Name Change after the Meeting and after receipt of necessary shareholder and regulatory approvals, but prior to the issue of a certificate of amendment under the *Business Corporation Act* (Ontario), without further action on the part of the shareholders.

In order to pass the Name Change Resolution, at least two thirds of the votes cast by the shareholders present at the Meeting in person or by proxy must be voted in favour of the Name Change Resolution. If the Name Change Resolution does not receive the requisite shareholder approval, the Company will continue under its present name.

The Board believes that the Name Change is in the best interests of the Corporation and therefore unanimously recommends that shareholders vote in favour of a resolution to approve and effect the Name Change (the “**Name Change Resolution**”).

The Board recommends that shareholders vote in favour of the following Name Change Resolution at the Meeting:

“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the articles of incorporation of the Corporation be amended to change the name of the Corporation to “Prophesy DeFi Inc.” or such other name as the directors of the Corporation may determine and as may be acceptable to the Director appointed under the *Business Corporations Act* (Ontario) (the “**Name Change**”);
2. notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation be, and they are hereby authorized and empowered to revoke this resolution at any time prior to the issue of a certificate of amendment giving effect to the Name Change and to determine not to proceed with the amendment of the articles of the Corporation without further approval of the shareholders of the Corporation; and
3. any director or officer of the Corporation be and he or she is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents and to do all such other acts or things as he or she may determine to be necessary or advisable to give effect to this resolution, including, without limitation, the execution and delivery of the articles of amendment in the prescribed form to the Director appointed under the *Business Corporations Act* (Ontario), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE NAME CHANGE RESOLUTION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

5. AMENDMENT TO THE ARTICLES OF THE CORPORATION – SHARE CONVERSION

At the Meeting, the SVS shareholders, the MVS shareholders and the PS shareholders of the Corporation will be asked to consider and, if deemed advisable, to approve and pass the Share Conversion Resolution (as defined below), each voting separately as a class.

Regarding the Share Conversion, the Corporation’s authorized capital consists of an unlimited number of SVS, MVS, and PS. As of the Record Date, only SVS and MVS have been issued by the Corporation and are outstanding. Each SVS holder is entitled to one vote for each SVS shown as registered in such holder’s name, and each MVS holder is entitled to four votes for each MVS shown as registered in such holder’s name.

Pursuant to the Share Conversion, all SVS will be converted automatically into New Common Shares (as defined below) immediately following receipt of all regulatory approvals by the Corporation at a ratio of 1 New Common Share for each SVS then outstanding.

Pursuant to the Share Conversion, all MVS will be converted automatically into New Common Shares on immediately following receipt of all regulatory approvals by the Corporation at a ratio of 1 New Common Share for each MVS then outstanding. It should be noted that, prior to the Share Conversion, holders of MVS retained voting rights of four

votes for each MVS. Following the Share Conversion, such MVS holders will retain one vote for each New Common Share.

The Board believes that the Share Conversion is in the best interests of the Corporation and therefore unanimously recommends that shareholders vote in favour of a resolution to approve and effect the Share Conversion (the “**Share Conversion Resolution**”).

Pursuant to the Share Conversion, the following is proposed for approval via special resolution:

1. A new class of common shares in the capital of the Corporation (the “**New Common Shares**”) will be authorized and an unlimited number of New Common Shares shall be issuable via articles of amendment. Such New Common Shares will be without par value and shall carry the right to one vote for each New Common Share;
2. All SVS shall be automatically converted to New Common Shares on a 1-for-1 basis. Following the Share Conversion, there will be nil SVS outstanding and the class of SVS shall be removed from the Corporation’s authorized capital via articles of amendment;
3. All MVS shall be automatically converted to New Common Shares on a 1-for-1 basis. Following the Share Conversion, there will be nil MVS outstanding and the class of MVS shall be removed from the Corporation’s authorized capital via articles of amendment; and
4. Notwithstanding that no PS have been issued as at the Record Date, the class of PS shall be removed from the Corporation’s authorized capital via articles of amendment, if determined necessary by the board of directors.

The Board has determined that the approval of the Share Conversion Resolution by the holders of the SVS and MVS, each voting separately as a class, for the Share Conversion must be requested.

Right to Dissent

Under the provisions of Section 185 of the *Ontario Business Corporations Act* (the “**OBCA**”), an SVS or MVS shareholder may dissent in respect of the Share Conversion Resolution for the amendment to the Articles of the Corporation. If such amendment to the Articles is completed, SVS and MVS shareholders who exercise dissent rights and strictly comply with the procedures set forth in the OBCA will be entitled to be paid the fair value of their SVS or MVS, as the case may be.

In the event that an SVS or MVS shareholder fails to perfect or effectively withdraws that shareholder’s claim under Section 185 of the OBCA or forfeits that shareholder’s right to make a claim under Section 185 of the OBCA or his or her rights as a shareholder are otherwise reinstated, such shareholder shall continue as a holder of their respective Shares with rights, privileges, conditions and restrictions amended as provided in the Share Conversion Resolution to amend the Articles of the Corporation.

Shareholders who wish to exercise dissent rights should seek legal advice, as failure to adhere strictly to the requirements set out in Section 185 of the OBCA may result in the loss or unavailability of any right to dissent. Shareholders wishing to dissent with respect to the Share Conversion Resolution must send a written objection to the Corporation, addressed to the Chief Executive Officer of the Corporation at 40 King Street West, Suite 1700, Toronto, Ontario, M5H 3Y2, at or prior to the time of the Meeting in order to be effective. The execution or exercise of a proxy does not constitute a written objection. Failure to strictly comply with the requirements set forth in Section 185 of the OBCA may result in the loss of any right of dissent. The rights of dissent are described in detail in Appendix “B” to this Management Information Circular.

Certain Canadian Federal Income Tax Considerations

The following summary presents the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the “**Tax Act**”), at the date hereof, of the Share Conversion generally applicable to a holder of SVS or MVS who, for purposes of the Tax Act and at all relevant times (i) is resident in Canada, (ii) deals at arm’s length with the Corporation, (iii) is not affiliated with the Corporation, and (iv) holds their SVS and/or MVS as capital property. Such Shares generally will be considered capital property to the holder unless the holder holds such shares in the course of carrying on a business, or the holder has acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Shareholders who meet all of the foregoing requirements are referred to as “Holders” in this summary and this summary only addresses such Holders.

This summary is not applicable to: (i) a Holder that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules; (ii) a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iii) a Holder that is a “specified financial institution” as defined in the Tax Act; or (iv) a Holder to whom the “functional currency” rules in the Tax Act apply. Any such Holder should consult its own tax advisor.

This summary is based on the current provisions of the Tax Act, the regulations thereunder, and the Company’s understanding of the administrative practices of the Canada Revenue Agency (the “**CRA**”) published in writing prior to the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations and does not take into account or anticipate any changes in law, whether by judicial, governmental or legislative action or decision, or changes in the administrative practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations described herein.

This summary is not exhaustive of all Canadian federal income tax considerations and is of a general nature only. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder, and no representations with respect to the tax consequences to any particular Holder are made. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other tax laws of any country, province, state or other local tax authority.

Passage of the Share Conversion Resolution

A Holder who holds SVS and/or MVS will not realize any capital gain or capital loss as a result of the passage of the Share Conversion Resolution. A Holder will not incur any tax under the Tax Act as a result of the Share Conversion Resolution to effect the Share Conversion. The adjusted cost base (“**ACB**”) to a Holder of New Common Shares received on the Share Conversion will be equal to the ACB to the Holder of its converted SVS and/or MVS, subject to being averaged with the ACB of any other SVS and/or MVS held by such Holder.

Share Conversion Resolution

The text of the Share Conversion Resolution is set forth below:

“BE AND IT IS RESOLVED AS A SPECIAL RESOLUTION OF EACH OF THE SVS AND MVS SHAREHOLDERS, VOTING SEPARATELY AS A CLASS, THAT:

1. the creation of a new class of common shares is hereby confirmed, approved and authorized and immediately prior to the conversion of all SVS and MVS of the Corporation into New Common Shares, the provisions of Section 5 of the articles of the Corporation shall be deleted in its entirety and substituted by the following:
 - “5. The classes and maximum number of shares that the Company is authorized to issue:
 - (a) an unlimited number of common shares; and
 - (b) an unlimited number of special shares, issuable in series.

Common Shares

(1) Each holder of common shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each common share held by such holder.

(2) The holders of common shares shall be entitled to receive dividends if and when declared by the board of directors.

(3) In the event of any liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of common shares shall be entitled, subject to the rights of holders of shares of any class ranking prior to the common shares, to receive the remaining property or assets of the Company.

Special Shares

(1) The special shares may from time to time be issued in one or more series and subject to the following provisions, and subject to the sending of articles of amendment in prescribed form, and the endorsement thereon of a certificate of amendment in respect thereof, the directors may fix from time to time before such issue the number of shares that is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of special shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.

(2) The special shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, rank on a parity with the special shares of every other series and be entitled to preference over the common shares and over any other shares of the Company ranking junior to the special shares. The special shares of any series may also be given such other preferences, not inconsistent with these articles, over the special shares and any other shares of the Company ranking junior to the special shares as may be fixed

2. the rights, privileges, restrictions and conditions attaching to the holders of SVS shall be amended as follows:

“With effect from 12:01 a.m., Toronto time, on such date as determined by the Corporation following receipt of all regulatory approvals, if necessary, all SVS shall be automatically converted to common shares in the capital of the Corporation at a conversion ratio of 1 common share for each SVS. All common shares resulting from such conversion shall be fully-paid and non-assessable. No fractional shares shall be issued to any holder of common shares upon such conversion, and in lieu thereof the Corporation shall round down to the nearest whole number. It shall not be necessary for a holder of SVS to surrender certificates representing such SVS in order to become a holder of common shares, and the Corporation shall register all registered holders of SVS at the appropriate time as registered holders of the applicable number of common shares”;

3. the rights, privileges, restrictions and conditions attaching to the holders of MVS shall be amended as follows:

“With effect from 12:01 a.m., Toronto time, on such date as determined by the Corporation following receipt of all regulatory approvals, if necessary, all MVS shall be automatically converted to common shares in the capital of the Corporation at a conversion ratio of 1 common share for each MVS. All common shares resulting from such conversion shall be fully-paid and non-assessable. No

fractional shares shall be issued to any holder of common shares upon such conversion, and in lieu thereof the Corporation shall round down to the nearest whole number. It shall not be necessary for a holder of MVS to surrender certificates representing such MVS in order to become a holder of common shares, and the Corporation shall register all registered holders of MVS at the appropriate time as registered holders of the applicable number of common shares;

4. conditional upon the approval of resolutions in identical terms by the holders of both the SVS and the MVS, the stated capital of the SVS and the MVS of the Corporation shall each be reduced by 100% and that such amounts be deducted from the stated capital account maintained by the Corporation;
5. conditional upon the approval of resolutions in identical terms by the holders of both the SVS and the MVS, the 2015 Stock Option Plan of the Corporation shall be amended as determined by the board of directors such that any shares to be issued under the 2015 Stock Option Plan shall be common shares and any stock options issued and outstanding under the 2015 Stock Option Plan shall be deemed to be exercisable into common shares of the Corporation in lieu of such SVS previously authorized under the terms of the 2015 Stock Option Plan;
6. any one director or officer of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute and deliver, under corporate seal of the Corporation or otherwise, all such documents and instruments and to do all such acts and things as in his opinion may be necessary or desirable to give full effect to this special resolution; and
7. notwithstanding any approval of the shareholders voting separately as a class of the Corporation as herein provided, the Board of Directors of the Corporation may, in its sole discretion, revoke this special resolution and abandon the Share Conversion with respect to either the SVS, the MVS or the PS, or all such shares before it is acted upon without further approval of the shareholders.”

Management of the Corporation and the Board recommend that each of the SVS and MVS shareholders vote in favor of the Share Conversion Resolution. Unless the shareholder has specifically instructed in the enclosed form of proxy that the Shares represented by such proxy are to be voted against the Share Conversion Resolution, the persons named in the enclosed form of proxy will vote FOR the Share Conversion Resolution.

The Share Conversion Resolution needs to be adopted by two-thirds (2/3) of the votes cast by each of the SVS and MVS shareholders, voting separately as a class, present in person or represented by proxy and entitled to vote at the Meeting. Moreover, at least two-thirds (2/3) of the votes cast by each of the SVS holders and MVS holders, voting separately as a class, are required for passing, with or without amendment, of the Share Conversion Resolution. In order for the Share Conversion Resolution to become effective, both the SVS holders and MVS holders must pass the Share Conversion Resolution via separate votes during the Meeting.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Corporation or person who acted in such capacity in the last financial year of the Corporation, or any other individual who at any time during the most recently completed financial year of the Corporation was a director of the Corporation or any associate of the Corporation, is indebted to the Corporation, nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

REPORT ON CORPORATE GOVERNANCE

The Board has reviewed the Corporation’s current corporate governance practices with reference to the applicable provisions of National Instrument 58-101 and has compiled the following analysis:

CORPORATE GOVERNANCE GUIDELINE	THE CORPORATION'S PRACTICE
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	Tim Diamond, Jason Ewert and Alec Regis ⁽¹⁾ Note: (1) Mr. Regis will not stand for re-election at the Meeting.
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	John McMahon is not considered to be an independent director by reason of his office of CEO.
2. Directorships	
If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Jason Ewart – Director of HEXO Corp.
3. Orientation and Continuing Education	
Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.	Orientation includes regular Board meetings and monthly updates between the meetings.
4. Ethical Business Conduct	
Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.	The Corporation's early stage allows the Board to effectively monitor the ethical conduct of the Corporation and ensure that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and the Canadian Securities Exchange.
5. Nomination of Directors	
Disclose what steps, if any, are taken to identify new candidates for board nomination, including:	
(a) who identifies new candidates, and (b) the process of identifying new candidates.	The Board's size and cohesion allow it to effectively perform the duties and functions of a nominating committee. Given the Corporation's present stage of development, the proposed Board composition has been determined to be appropriate. A nomination committee will be created at the appropriate time.
6. Compensation	
Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:	
(a) who determines the compensation; and (b) the process of determining compensation.	The Corporation is limited in terms of the manner in which its directors and executives can be compensated. As such, the Board, as a whole, was able to determine matters related to executive and director compensation.
7. Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, describe their function.	The Board does not presently have any standing committees other than the Audit Committee
8. Assessments	

CORPORATE GOVERNANCE GUIDELINE	THE CORPORATION'S PRACTICE
Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees and its individual directors are performing effectively.	<p>The Board has not adopted formal procedures for assessing its own effectiveness, or that of the Audit Committee. However, the Corporation believes that its corporate governance practices are appropriate and effective given the Corporation's early stage.</p> <p>The Corporation's method of corporate governance allows for the Corporation to operate efficiently, with checks and balances that control and monitor management and corporate functions without excessive administrative burden.</p>

AUDIT COMMITTEE

The Corporation is required to have an audit committee comprised of not less than three directors, one of whom is not an officer or employee of the Corporation or of an affiliate of the Corporation. The audit committee of the Corporation is composed of Jason Ewart (Chair), Tim Diamond and Alec Regis. Mr. Regis will not stand for re-election at the Meeting. Accordingly, it is anticipated that following the completion of the meeting and subject to the election of Charlie Morris as a director, Jason Ewart (Chair), Tim Diamond and Charlie Morris be appointed as the members of the Audit Committee.

Independence

National Instrument 52-110 *Audit Committees*, (“NI 52-110”) provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with the issuer, which could, in the view of the issuer’s board of directors, reasonably interfere with the exercise of the member’s independent judgment. Each member of the Audit Committee is independent.

Audit Committee Charter

The Board proposes that its audit committee adopt a charter, substantially in the form attached hereto as Appendix “A” to this Management Information Circular.

Financial Literacy

NI 52-110 provides that an individual is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

All existing and proposed members of the Audit Committee are financially literate as such term is defined in NI 52-110.

Relevant Education and Experience

Jason Ewart was the co-founder and the former Chief Executive Officer and Chief Operating Officer of Fountain Capital Corporation from 2003 until October 2017. Mr. Ewart is a Director & EVP Capital Markets of Hank Payments Corp, a Director of Quebec base HEXO Corp., Denver based Attorneys Title Guarantee Fund Inc., Toronto based Marathon Mortgage Corp., and a Director for the non-profit Northumberland Community Futures Development Corporation, which provides financing and strategic guidance to entrepreneurs. Mr. Ewart is financially literate.

Tim Diamond has been CEO of Whitehall Apartments Corp. a private REIT, since 2014. He has also served on the boards of numerous publicly listed investment funds during his career. Mr. Diamond is financially literate.

Alec Regis has been an asset manager at Stonecap Realty Partners Inc. since 2003 and a director of Fountain Asset Corp. from 2012 to 2018. Mr. Regis is financially literate.

Charlie Morris is a co-founder and Managing Partner of CMCC Global in Toronto. Previously Mr. Morris was a software engineer focused on iOS and a technology sector management consultant London. Mr. Morris is also an expert advisor on blockchain and was an Ethereum ICO investor in 2014.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, the audit committee of the Corporation has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on:

- (a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services.

Audit Fees

The following table sets forth the fees paid by the Corporation to MNP for services rendered during the fiscal year ended December 31, 2020.

	2020	2019
Audit fees	\$21,763	\$24,182
Audit-related fees	Nil	Nil
Tax fees	Nil	Nil
All other fees	Nil	Nil
Total	<u>\$21,763</u>	<u>\$24,182</u>

The Corporation is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*).

Report of the Audit Committee

In the performance of its oversight function, the Audit Committee reviewed and discussed the Corporation's audited financial statements as of and for the year ended December 31, 2020 with management and the auditors. The audited financial statements were represented to have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The Audit Committee met at the conclusion of the audit for the purposes of approving the Corporation's annual financial statements. It is satisfied that it appropriately fulfilled its mandate to the best of its ability during and for the year ended December 31, 2020.

OTHER MATTERS

The management of the Corporation knows of no other matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to management should properly come before the Meeting, the accompanying form of proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.**

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. The Corporation's annual management discussion and analysis and a copy of this Management Information Circular is available to anyone, upon request, from the Corporation at 40 King Street West, Suite 1700 Toronto, Ontario, M5H 3Y2. All financial information in respect of the Corporation is provided in the comparative financial statements and management discussion and analysis for its recently completed financial year.

APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Management Information Circular have been approved, and the delivery of it to each shareholder entitled thereto and to the appropriate regulatory agencies has been authorized by the Board.

DATED at Toronto, Ontario, on the 5th day of May, 2021.

BY ORDER OF THE BOARD

“John McMahon” (signed)
President and Chief Executive Officer

APPENDIX A

BUCEPHALUS CAPITAL CORP.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Primary Objective

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities to: (i) review financial reports and financial information provided to any regulatory authority or provided for release to the public and the Corporation's shareholders; (ii) review the Corporation's disclosure control systems; (iii) review the Corporation's internal control systems with respect to finance, accounting and legal compliance; and (iv) review the Corporation's accounting and financial reporting processes.

Composition

The Committee shall be composed of not less than three (3) directors, the majority of whom shall be independent and 'unrelated', as determined by the Board of Directors in accordance with applicable legislation and any requirements of such exchanges on which the securities of the Corporation are traded. The Committee's composition shall be in compliance with the stated requirements of Multilateral Instrument 52-110 "Audit Committees" and any amendments thereto.

All members of the Committee shall be financially literate and have a working familiarity with basic accounting and finance practices.

All members of the Committee shall be appointed by the Board of Directors at such time as shall be determined and shall serve until their successors are duly appointed. Any member may be removed or replaced by direction of the Board of Directors and shall in any event cease to be a member of the Committee forthwith upon such member ceasing to be a director of the Corporation. Committee members shall be entitled to such remuneration for serving on the Committee as may from time to time be determined by the Board.

Meetings

The members of the Committee so appointed shall elect from among their number a Chairman of the Committee. Such Chairman will appoint a secretary with responsibility for maintaining minutes of all meetings. The Secretary shall not be required to be a member of the Committee or a director of the Corporation and can be changed at any time upon notice from the Chairman.

The Committee shall meet as many times as it in its discretion deems necessary to discharge its responsibilities but in no event shall the Committee meet less than four (4) times per year. The time at which, and the place where, Committee meetings are held, the calling of the meetings and the procedure in respect of such meetings shall be determined by the Committee, unless provisions to the contrary are contained in the Corporation's by-laws or other constating documents or the Board of Directors shall determine otherwise. No business may be transacted unless a quorum of the Committee is present, the majority of the members of the Committee comprising such quorum. If the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.

The Committee may invite or require the attendance at any meeting of such officers and employees of the Corporation, internal and external legal counsel or such other persons as the Committee deems necessary in order for the Committee to discharge its duties and responsibilities. The external independent auditors of the Corporation should be requested and, if deemed necessary, required to attend meetings of the Committee and to make presentations to the Committee as is deemed appropriate.

The Committee shall meet not less than once annually with the Corporation's independent auditors and without the presence of management. The Committee shall also meet with the independent auditors and management at least quarterly to review the Corporation's financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and any press releases related thereto.

Notwithstanding the foregoing, and subject to the Corporation's constating documents, governing legislation and applicable regulatory and exchange rules, the Chairman of the Committee may exercise the powers of the Committee between meetings if required. In the event the Chairman does so exercise such powers, the Chairman shall immediately report in writing to the members of the Committee the actions or decisions taken in the name of the Committee and the same shall be recorded in the minutes of the Committee.

Duties and Responsibilities

- periodically review and, as required, recommend to the Corporation's Governance Committee any revisions or updates to this Mandate for the Governance Committee to forward to the Board of Directors for approval and implementation
- review interim quarterly financial statements and the audited annual financial statement, including related Management's Discussion and Analysis of Financial Condition and Results of Operations, together with any press releases related thereto and make a recommendation to the Board of Directors for approval and implementation.
- discuss and review with management all financial information and earnings guidance which may be provided to the public in advance of the provision of such communication
- satisfy itself, on behalf of the Board of Directors, that all quarterly and annual financial results, and attendant Management's Discussion and Analysis of Financial Condition and Results of Operations, present fairly the financial condition of the Corporation and are in accordance with generally accepted accounting principles
- act as an independent and objective party to monitor the Corporation's financial reporting process and the system of internal controls, including, as required, inspection of all books and records of the Corporation and its subsidiaries, discussion of such accounts and records and the financial position of the Corporation with senior management and the auditors of the Corporation and its subsidiaries and the commissioning of such reports or supplemental information as may be required in relation to the above
- recommend to the Board of Directors the appointment, retention, termination and compensation of the Corporation's independent auditors
- evaluate and oversee the work of the Corporation's independent auditors, including receipt and review of all reports and recommendations
- review the independent auditor's reports of all critical accounting policies and practices to be used, alternative treatments of financial information within generally accepted accounting principles, ramifications and use of alternative disclosures and treatments and other communications between the independent auditors and the Corporation's management
- satisfy itself on behalf of the Board of Directors as to the 'independence from management' of the external auditors, within the meaning given to such term in the rules and pronouncements of the applicable regulatory authorities and professional governing bodies
- ensure the independent auditor's rotation of the audit partner satisfies all regulatory requirements
- annually review and evaluate the performance of the Corporation's independent auditors and the audit partner, including opinions of management, and make such recommendations to the Board of Directors as appropriate
- review the annual audit plan and such advice as may be provided with respect to management and internal controls

- monitor the Corporation's internal accounting controls, information gathering systems and management reporting of internal control systems
- review with management and the independent auditors the relevance and appropriateness of the Corporation's accounting policies, recommended changes and approval thereof
- satisfy itself that the Corporation has implemented appropriate systems of internal control over financial reporting and the safeguarding of the Corporation's assets; review "risk management" procedures, including the identification of significant risks and the establishment of appropriate procedures to manage such risks; monitor corporate performance in light of acceptable risks
- review and approve the Corporation's communication and disclosure policies and controls and monitor compliance therewith
- review and approve the Corporation's investment and treasury policies and monitor compliance therewith
- review the annual proposed budget prepared by the Corporation's executive and make a recommendation to the Board of Directors for approval and implementation; and
- perform such other activities consistent with the Corporation's constituting documents, governing law and regulatory and exchange requirements as may be requested by the Board of Directors.

APPENDIX B

SECTION 185 OF THE *BUSINESS CORPORATIONS ACT* (ONTARIO)

185. (1) Rights of dissenting shareholders - Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) amalgamate with another corporation under sections 175 and 176;
- (d) be continued under the laws of another jurisdiction under section 181; or
- (e) sell, lease or exchange all or substantially all its property under subsection 184 (3), a holder of shares of any class or series entitled to vote on the resolution may dissent.

(2) Idem - If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 170 (5) or (6).

(2.1) One class of shares - The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) Exception - A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

(4) Shareholder's right to be paid fair value - In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted.

(5) No partial dissent - A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(6) Objection - A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

(7) Idem - The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

(8) Notice of adoption of resolution - The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

(9) Idem - A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

(10) Demand for payment of fair value - A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

(11) Certificates to be sent in - Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(12) Idem - A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

(13) Endorsement on certificate - A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

(14) Rights of dissenting shareholder - On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10).

(14.1) Same - A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

- (a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or
- (b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares,

- (i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and
- (ii) to be sent the notice referred to in subsection 54 (3).

(14.2) Same - A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

- (a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and
- (b) to be sent the notice referred to in subsection 54 (3).

(15) Offer to pay - A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(16) Idem - Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

(17) Idem - Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(18) Application to court to fix fair value - Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

(19) Idem - If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

(20) Idem - A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

(21) Costs - If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

(22) Notice to shareholders - Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

(23) Parties joined - All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

(24) Idem - Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

(25) Appraisers - The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(26) Final order - The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b).

(27) Interest - The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(28) Where corporation unable to pay - Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(29) Idem - Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(30) Idem - A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

(31) Court order - Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

(32) Commission may appear - The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation.

BUCEPHALUS CAPITAL CORP.

Consolidated Financial Statements

December 31, 2020 & 2019

(Expressed in Canadian dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: "**John McMahon**"
Chief Executive Officer

Toronto, Ontario
April 28, 2021

To the Shareholders of Bucephalus Capital Corp.:

Opinion

We have audited the consolidated financial statements of Bucephalus Capital Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

April 28, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Bucephalus Capital Corp.
Consolidated Statements of Financial Position
(In Canadian Dollars)

	December 31, 2020	December 31, 2019
Assets		
Cash	\$ 18,424	\$ 54,583
Accounts receivable	17,653	20,971
Prepaid expenses	750	650
Accrued interest receivable (note 5)	24,811	31,058
Bridge loans (note 5)	36,020	86,615
Portfolio investments (note 6)	<u>258,866</u>	<u>258,247</u>
	\$ 356,524	\$ 452,124
Liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 530,364	\$ 250,631
Shareholders' Equity		
Share capital (note 7 (b))	3,235,409	3,235,409
Contributed surplus (note 7(c))	35,343	35,343
Deficit	<u>(3,444,592)</u>	<u>(3,069,259)</u>
Total shareholders' equity	<u>173,840</u>	<u>201,493</u>
	\$ 356,524	\$ 452,124

Subsequent Events (note 13)

On Behalf of the Board:

"John McMahon" _____ Director

"Jason Ewart" _____ Director

The accompanying notes are an integral part of these consolidated financial statements.

Bucephalus Capital Corp.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance December 31, 2018	3,235,409	35,343	(1,813,748)	1,457,004
Net loss for the year	-	-	(1,255,511)	(1,255,511)
Balance December 31, 2019	3,235,409	35,343	(3,069,259)	201,493
Net loss for the year	-	-	(375,333)	(375,333)
Balance December 31, 2020	3,235,409	35,343	(3,444,592)	(173,840)

The accompanying notes are an integral part of these consolidated financial statements.

Bucephalus Capital Corp.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

	2020	2019
Investment income and management fees		
Change in value of portfolio investments	\$ 92	\$ (819,176)
Credit losses	(60,836)	(87,218)
Interest income	5,098	29,359
Dividend income	1,268	1,615
Foreign exchange (loss)	912	(7,334)
	<u>(53,466)</u>	<u>(882,754)</u>
Expenses		
Audit and legal fees	17,100	36,242
Consulting fees (note 12)	276,000	276,000
Filing and listing fees	25,336	24,580
Interest expense	-	15,465
Office expense	3,431	20,470
	<u>321,867</u>	<u>372,757</u>
Net loss and comprehensive loss for the year	\$ (375,333)	\$ (1,255,511)
Net loss per share – basic and diluted (note 8)	\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding – basic and diluted	29,514,241	29,514,241

The accompanying notes are an integral part of these consolidated financial statements.

Bucephalus Capital Corp.

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

	<u>2020</u>	<u>2019</u>
Operating activities		
Net loss for the year	\$ (375,333)	\$ (1,255,511)
Change in value of portfolio investments	(619)	819,176
Credit losses	60,836	87,218
Interest income	(4,739)	(17,359)
Net changes in non-cash working capital balances		
Accrued interest receivable	745	(21,412)
Prepaid expenses	(100)	2,997
Accounts receivable	3,318	86,584
Accounts payable and accrued liabilities	279,733	122,136
	<u>(36,159)</u>	<u>(176,171)</u>
Investing activities		
Advances of bridge loans	-	(100,000)
Purchase of portfolio investments	-	(21,775)
Proceeds from sale of portfolio investments	-	157,495
	<u>-</u>	<u>35,720</u>
(Decrease) increase in cash	(36,159)	(140,451)
Cash, beginning of year	54,583	195,034
Cash, end of year	\$ 18,424	\$ 54,583

The accompanying notes are an integral part of these consolidated financial statements.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

1. Nature of Business

Bucephalus Capital Corp. ("BCC" or the "Company"), through its wholly owned subsidiary, Bradstone Financial Corp. ("BFC"), invests in companies across many industries such as oil and gas, mining, manufacturing, retail, financial services, technology, and biotechnology. The Company is a public company incorporated and domiciled in Ontario, Canada. The Company's registered office is located at 273 Tweed Street, Cobourg, Ontario K9A 2Z4. The Company's subordinate voting shares commenced trading on the Canadian Securities Exchange ("CSE") on March 14, 2016.

In early 2020, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by the Canadian federal, provincial, and municipal governments regarding travel, business operations, and isolations/quarantine orders. While the Company has not yet experienced any material impact on its ability to conduct operations, it is unknown the extent of the future impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements, including comparative periods, have been prepared, using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The reporting currency used for the consolidated financial statements is Canadian dollars. The functional currency used by the Company and its subsidiary is Canadian dollars.

These consolidated financial statements were approved by the Company's Board of Directors on April 28, 2021.

3. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant for the Company.

A. Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Financial statement items subject to significant management judgment include:

- Credit losses – Management exercises judgement to determine the expected credit losses on loans (note 3 (B)).
- Valuation of portfolio investments – Where investments are not traded in an active market, management exercises judgement to determine the fair value of these assets. These assumptions include observation of recent private sales on the underlying securities (if available) and estimating the inputs to the Black-Scholes option pricing model (note 3 (B)).
- The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate (note 3 (H)).

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

3. Summary of Significant Accounting Policies - continued**B. Financial instruments**

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- (1) those to be measured subsequently at fair value through profit or loss ("FVTPL");
- (2) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI");
and
- (3) those to be measured subsequently at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in the consolidated statements of operations and comprehensive loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's classification and measurements of financial assets and liabilities are summarized below:

	Classification
Cash	Amortized cost
Accrued interest receivable	Amortized cost
Accounts receivables	Amortized cost
Bridge loans	Amortized cost
Portfolio investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost

Financial assets at amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payment of principal and interest ("SPPI") criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

This category includes derivative instruments as well as equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the consolidated statements of operations and comprehensive loss.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

3. Summary of Significant Accounting Policies – continued**B. Financial instruments - continued**

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the consolidated statements of operations and comprehensive loss.

Fair value hierarchy

Financial assets measured at fair value or where their fair value is disclosed in the notes must be classified into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Valuation models which utilize predominately observable market inputs; and
- Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial asset in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Company's fair value financial instruments are classified as follows:

<i>Financial instrument</i>	<i>Classification</i>
Portfolio investments	Levels 1, 2, and 3

At the end of each reporting period, management estimates the fair value of investments based on the criteria below and reflects such valuations in the restated financial statements.

- Securities including shares, options, and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period. These are included in Level 1 of the fair value hierarchy.
- For options, warrants, and conversion features which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used. Valuation models such as the Black-Scholes valuation model ("Black-Scholes") are used when there are sufficient and reliable observable market inputs. These market inputs include risk-free interest rate, exercise price, market price at the date of valuation, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility. These are included in Level 2 of the fair value hierarchy.
- Convertible debts and loans issued by investee companies are generally valued at the price in which the instrument was issued. The Company regularly considers whether any indications of deterioration in the value of the underlying business exist, which suggest that the debt instrument will not be fully recovered. The fair value of convertible debentures is measured using valuation techniques such as Black-Scholes model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment and assumptions provided by management is required in establishing fair values. Judgments include consideration of inputs such as credit risk, discount rates, volatility, probability of certain triggering events, and share price of private company borrowers. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. These are included in Level 3 of the fair value hierarchy.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

3. Summary of Significant Accounting Policies – continued**B. Financial instruments - continued****Fair value hierarchy - continued****iv. Private company investments**

All privately-held investments (including options, warrants, and conversion features) are initially recorded at the transaction price, being the fair value at the time of acquisition. At the end of each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy (see note 9).

The determination of fair value of the Company's privately-held investments at other than initial cost, is subject to certain limitations. Financial information for private companies in which the Company has investments, may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on management's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The fair value of a privately-held investment may be adjusted if:

- i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- ii. There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and, therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- iii. The investee company is placed into receivership or bankruptcy;
- iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- v. Release by the investee company of positive/negative operational results; and
- vi. Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Fair value hierarchy - continued

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be currently disposed of may differ from the carrying value assigned.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection, and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

3. Summary of Significant Accounting Policies – continued**C. Provisions**

The Company recognizes provisions when a legal or constructive obligation exists as a result of past events, when it is probable that there will be an outflow of economic benefits from the entity, and a reliable estimate of the amount of the obligation can be made. When a provision is expected to settle beyond the immediate term, the provision is measured at the present value of future cash flows, discounted at prevailing market interest rates. With the passage of time, additional expenses are recorded as the provision accretes.

D. Revenue Recognition

Realized gains (losses) on disposals of investments and unrealized gains (losses) on securities classified as FVTPL are reflected in the consolidated statements of operations and comprehensive loss on the transaction date and are calculated on an average cost basis. For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income or expenses are recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

E. Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the end of the reporting period. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in profit or loss.

F. Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income is also recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expensed to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

3. Summary of Significant Accounting Policies – continued**G. Cash**

Cash consists of cash balances and highly liquid investments with original maturities of three months or less.

H. Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some of all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transaction at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as a measure at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings or loss per share.

I. Loss per share

Basic loss per share is calculated using the weighted average number of multiple and subordinate voting shares outstanding during the period.

Diluted loss per share is calculated by dividing net loss available to shareholders for the year by the diluted weighted average number of multiple and subordinate shares outstanding during the year. The diluted weighted average number of shares includes the potential dilution from shares issuable through stock options, if dilutive. This assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company’s share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company’s shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted shares outstanding.

4. New and Revised Standards and Interpretations**IFRS 16 – Leases**

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The adoption of this standard effective January 1, 2019 did not materially impact the consolidated financial statements.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

5. Bridge loans

		Due Date	Stated Interest Rate	December 31 2020	December 31 2019
Individual Corporation	(a)	October 31, 2021	12%	\$ 10,000	\$ 10,000
Corporation	(b)	June 30, 2020	12%	26,020	26,615
Corporation	(c)	July 11, 2020	12%	-	50,000
Total				\$ 36,020	\$ 86,615

The fair values of the notes receivable are estimated to be approximately equivalent to their carrying values as the market rate of interest approximates the effective interest rate.

- As at December 31, 2020, \$5,931 (2019 - \$4,728) in interest has been accrued. The loan is secured by a promissory note, a corporate guarantee, and equipment. A payment of \$6,000 is due in May 2021 with the remaining principle and interest due on October 31, 2021
- The loan is based in US dollars and the principal amount of the loan is US\$129,029 or C\$164,280 (2019 - C\$167,479). US\$105,000 or C\$133,686 (2019 - C\$136,290) was syndicated to other lenders and therefore the net amount of the loan to the Company is US\$24,029 or C\$30,594 (2019 - C\$31,189). As at December 31, 2020 a net amount of C\$8,768 (2019 - C\$15,494) in interest has been accrued. Expected credit losses were estimated at C\$4,575 at December 31, 2020 (2019 - C\$4,575).
- The principal of the loan is \$100,000. As at December 31, 2020, \$23,704 (2019 - \$11,671) of interest and \$10,000 (December 31, 2019 - \$10,000) has been accrued but not recorded as interest income due to uncertainty of collection. The loan is secured by a promissory note and a personal guarantee. Expected credit losses of \$60,836 were recognized during the year ended December 31, 2020 (2019 - \$60,836).

6. Portfolio Investments

	December 31 2020	December 31 2019
Common shares in Marathon Mortgage Corp. (a) (note 13)	\$ -	\$ -
Common shares in Rise Life Sciences Corp. (note 13)	8,600	2,150
Other marketable securities	244,666	256,097
Total	\$ 253,266	\$ 258,247

- As at December 31, 2020, the Company holds 3,358,636 (2019 – 3,358,636) common shares of Marathon Mortgage Corp. (“MMC”). A fair value adjustment of \$Nil was recorded in the year ended December 31, 2020 (2019 - \$756,806) (notes 9 and 13).

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

7. Share Capitala) Authorized:

Unlimited multiple voting shares ("MVS")
Unlimited subordinate voting shares ("SVS")

The rights of MVS and SVS shares are identical other than voting rights. MVS shares are entitled to four votes per share whereas SVS shares are entitled to one vote per share.

b) Shares issued and outstanding:

For the years ended December 31	SVS		MVS	
	Number of Shares	Amount	Number of Shares	Amount
Balance December 31, 2018	23,638,717	2,547,044	5,875,524	688,365
Converted from MVS to SVS (i)	113,345	12,213	(113,345)	(12,213)
Balance December 31, 2019	23,752,062	2,559,257	5,762,179	676,152
Converted from MVS to SVS (i)	57,333	6,717	(57,333)	(6,717)
Balance December 31, 2020	23,809,395	2,567,040	5,704,846	668,369

(i) During the year 57,333 (2019 – 113,345) MVS were converted on a one for one basis to 57,333 (2019 – 113,345) SVS.

c) Stock Options

The Company has a stock option plan (the "Plan") under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserve for issue under the Plan at any point in time may not exceed 10% of the number of shares issued and outstanding. As at December 31, 2020, the Company had 480,940 (December 31, 2019 – 475,206) options available for issuance under the Plan.

As at December 31, 2020 and 2019, the Company had 1,900,000 options outstanding exercisable at \$0.07 and expiring in May 2021 (note 13).

8. Loss per Share

Loss per share has been calculated using the weighted average number of SVS and MVS outstanding during the year. As the Company's stock options outstanding are anti-dilutive and there are no potentially dilutive financial instruments outstanding, diluted loss per share is the same as basic loss per share.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

9. Fair Value of Financial Instruments

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Valuation techniques are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 Valuation techniques include one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Investments consisted of the following at December 31, 2020 and 2019:

Investments	Cost \$	Level 1 Quoted Market Price \$	Level 2 Observable Market Inputs \$	Level 3 Non-Observable Market Inputs \$	Total Fair Value \$
As at December 31, 2020					
Equities	988,409	21,663	-	231,603	253,266
Total investments	988,409	21,663	-	231,603	253,266
As at December 31, 2019					
Equities	988,409	26,643	-	231,603	258,247
Total investments	988,409	26,643	-	231,603	258,247

There were no changes in the classifications of financial instruments between levels 1, 2, and 3 during the years ended December 31, 2020 and 2019.

During 2019 the Company acquired \$64,403 level 3 investments on the settlement of a loan. Additionally, in 2019, the Company recorded fair value adjustments of \$819,176 of which \$754,566 related to Level 3 investments.

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of the Level 3 investments as at December 31, 2020:

Investment	Method	Inputs	Impact of a + / - 10% change in fair value
Equity instruments	Private placement financing technique	Price per share of last capital raise	\$23,160

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

10. Income Taxes

The following table reconciles the expected income tax provision at the Canadian federal and provincial statutory rate of 26.5% (2019 – 26.5%) to the amounts recognized in the consolidated statement of operations and comprehensive loss:

	December 31, 2020	December 31, 2019
Loss before income taxes	\$ (375,333)	\$ (1,255,511)
Expected income tax recovery	(99,460)	(332,710)
Other adjustments	(340)	1,645
Change in tax benefits not recognized	99,800	331,065
Income tax provision (recovery)	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2020	December 31, 2019
Non-capital losses	\$ 2,269,380	\$ 1,903,150
Marketable securities	\$ 890,850	\$ 891,470
Bridge Loans	\$ 12,620	\$ -
Share issuance costs	\$ 1,640	\$ 3,280

Non-capital losses expire between 2035 and 2040 (see below) and share issuance costs will be fully amortized in 2021. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The remaining deductible temporary differences may be carried forward indefinitely.

2035	\$	34,590
2036		608,140
2037		324,960
2038		440,650
2039		494,810
2040		366,230
	\$	2,269,380

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

11. Risk Management

The primary goals of the Company's risk management programs are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's financial operations from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk tolerance with the Company's business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventative controls and transferring risk to third parties.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's capital management objectives are to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth. A strong capital position also provides flexibility in considering accretive growth opportunities. It is the intention of the Company in the long term to pay out a portion of its future annual earnings to shareholders in the form of dividends. There has been no change in the capital management approach from the prior year.

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company is exposed to credit risk on its cash, accrued interest receivable, accounts receivable, and bridge loans. The Company's maximum exposure to credit risk is \$96,908 (2019 - \$193,227).

Market Risk

The Company is exposed to certain market risk that the value of, or future cash flows from, the Company's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of the Company's portfolio investment over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavorable effect on the Company's financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. As at December 31, 2020, the Company has cash of \$18,424 (2019 - \$54,583) to meet current financial liabilities of \$530,364 (2019 - \$250,631) (see note 13).

Currency Risk

The Company is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At December 31, 2020, one (2019 - one) of the Company's bridge loans receivable is denominated in US dollars. A 10% fluctuation in the US dollar foreign exchange closing rate would have resulted in a fluctuation of approximately \$1,300 (2019 - \$1,300) in net loss. The Company does not hedge against this foreign currency risk.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(In Canadian Dollars)

12. Transactions with related parties

- a) The bridge loan described in note 5(c) was made to a company that has a common director with the Company.
- b) Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 as follows:

	December 31, 2020	December 31, 2019
Consulting fees	\$ 112,000	\$ 96,000
Stock based compensation	-	-
	\$ 112,000	\$ 96,000

- c) As at December 31, 2020, included in accounts payable is \$202,382 (2019 - \$68,582) due to officers of the Company.

13. Subsequent Events

In the first quarter of 2021, a total of 1,800,000 stock options (note 7(c)) were exercised at \$0.07 for proceeds of \$126,000.

On March 2, 2021, the Company sold 100% of the shares of its wholly owned subsidiary Bradstone Financial Corporation ("BFC") in exchange for a \$148,765 secured 5-year promissory note. Included in the net assets of BFC were 3,358,636 common shares of MMC (note 6), 430,000 common shares of Rise Life Sciences Corp. (note 6), and accounts payable to management of \$530,190. The note bears interest at the Canadian prime rate and is secured against the shares of MMC and becomes payable in the event the buyer sells the security.

On March 19, 2021, the Company closed a non-brokered private placement issuing 25,000,000 units at a price of \$0.05 per Unit for gross proceeds of \$1,250,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on March 19, 2024 at an exercise price of \$0.25. Finder's fees of \$78,750 were paid and 1,750,000 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of \$0.05 for a period of thirty-six months from closing were issued in relation to the Private Placement. All securities issued under the Private Placement are subject to a four month hold period in accordance with applicable securities laws.

On March 25, 2021, the Company granted an aggregate of 1,400,000 options to purchase common shares of the Company exercisable at a price of \$0.22 per share for a period of 3 years to officers and consultants of the Company.

On April 23, 2021, the Company closed a non-brokered private placement issuing 9,999,999 units at a price of \$0.15 per Unit for gross proceeds of \$1,500,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on April 23, 2024 at an exercise price of \$0.25. Finder's fees of \$61,220 were paid and 491,466 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of \$0.25 for a period of thirty-six months from closing were issued in relation to the Private Placement. All securities issued under the Private Placement are subject to a four month hold period in accordance with applicable securities laws.

On April 27, 2021, the Company entered into a service agreement with Ninepoint Partners GP Inc. who will receive a \$25,000 per month advisory fee and were issued 5,000,000 performance warrants exercisable at a price of \$0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after the advisory ceases to provide services to the Company.

Bucephalus Capital Corp.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

13. Subsequent Events – continued

On April 27, 2021, the Company entered into of a non-binding letter of intent to acquire a 100% interest in Layer2 Blockchain Inc., a company which manages capital, technology, and infrastructure in the decentralized finance (DeFi) cryptocurrency sector, with a focus on scalable layer two DeFi protocols.

On April 28, 2021, the Company granted an aggregate of 2,150,000 options to purchase common shares of the Company exercisable at a price of \$0.42 per share for a period of 3 years to directors, officers and consultants of the Company.

BUCEPHALUS CAPITAL CORP.
(Formerly Bradstone Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

DATE OF MD&A

This MD&A was prepared on April 28, 2021.

Basis of Presentation

The following discussion and analysis of Bucephalus Capital Corp.'s (Formerly Bradstone Capital Corp.) (the "Corporation's" or "Bucephalus Capital's") financial condition as at December 31, 2020 should be read in conjunction with the Corporation's audited financial statements as at December 31, 2020 and 2019. These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Canadian dollars unless otherwise indicated. See "Risk Factors" for a discussion of the risks inherent in the business of the Corporation, which may also affect its continuing financial condition, cash flows and operating results.

Bucephalus Capital's principal business is providing a range of merchant banking services to micro and small-cap companies in North America in both the public and private markets.

Overall Performance

Overview of the Business

Bucephalus Capital has its principal offices located at 40 King Street West Suite 1700, Toronto, ON M5H 3Y2.

Effective December 31, 2015, Bucephalus Capital completed a reverse takeover transaction with Bucephalus Financial Corp. ("Bucephalus Financial"). The composition of the Board of Directors became Chris Carmichael, Jason Ewart, Michael Allen and Alec Regis and Chris Carmichael was appointed as Chief Executive Officer.

In March 2016, Bucephalus Capital listed its 20,215,887 Subordinate Voting Shares on the Canadian Securities Exchange (the "CSE") under the symbol BCA. The Bucephalus Capital Multiple Voting Shares will not be listed on an exchange but they are convertible into Bucephalus Capital SV Shares on a one for one basis.

Bucephalus's principal business is providing a range of merchant banking services to micro and small-cap companies in North America in both the public and private markets. Using a disciplined and systematic investment strategy, Bucephalus provides private and public companies with working capital in the form of common equity, preferred shares, convertible debt and bridge loans (asset backed/collateralized financing) ranging from \$100,000 to \$500,000 to companies across many industries such as oil and gas, mining, real estate, manufacturing, retail, financial services, technology and biotechnology.

On February 23, 2018, Lucas Ewart was appointed the Chief Executive Officer and as a Director of the Company. Lucas Ewart has extensive experience in finance, senior management and corporate development of public and private companies. He has served as Chairman, CEO as well as Chief Restructuring Officer of numerous companies on an international scale having worked in Canada, USA, Australia, Mexico, and South East Asia (Hong Kong, Singapore, Philippines and China). In addition he served as a Principal to GC-Global Capital Corp. for 10 years which specialized in securitized bridge loans.

On April 22, 2019, the Company announced that it had changed its name to Bucephalus Capital Corp. after receiving shareholder approval at its Annual and Special Meeting held on June 12, 2018.

On March 2, 2021, the Company appointed John A. McMahon to serve as Chairman and Chief Executive Officer and the addition of Tim Diamond to the Board. The Company also sold its ownership in Marathon Mortgage Corp. (“MMC”) for \$670,000. In 2019, the Company adjusted the fair value of its MMC shares to \$Nil.

On March 19, 2021, the Company closed a \$1,250,000 private placement financing at a price of \$0.05 per unit with each unit consisting of one subordinate voting share (“SVS”) and one warrant. Each warrant converts into one SVS at a price of \$0.25 with an expiry date of thirty six months.

On April 23, 2021, the Company closed a \$1,500,000 private placement financing at a price of \$0.15 per unit with each unit consisting of one subordinate voting share (“SVS”) and one warrant. Each warrant converts into one SVS at a price of \$0.25 with an expiry date of thirty six months.

April 28, 2021, the Company announced that it has entered into a service agreement with Ninepoint Partners (“Ninepoint”) through its Ninepoint Digital Asset Group division. Through this partnership, Ninepoint will provide Bucephalus ongoing marketing and strategic advice, assist with the corporate development of planned investment opportunities and provide introductions to certain parties that may further the business of the corporation. Ninepoint is among the largest independent asset management firms in Canada, with over \$8 billion in assets under management and institutional contracts. Ninepoint manages unique alternative investment solutions that offer investors the benefits of better diversification. It manages investment strategies that are uncorrelated from traditional asset classes, such as equities and bonds, with the goal of lowering overall portfolio risk. In consideration for services, Ninepoint will paid a \$25,000 per month advisory fee and be issued 5,000,000 performance warrants exercisable at a price of \$0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after Ninepoint ceases to provide services to the Company.

On April 28, 2021, the Company announces the entering into of a non-binding letter of intent to acquire a 100% interest in Layer2 Blockchain Inc., a company which manages capital, technology and infrastructure in the decentralized finance (DeFi) cryptocurrency sector, with a focus on scalable layer two DeFi protocols. Layer2 is led by Andrew Young, Jake Hannah and

Julian Wilson, a seasoned team of blockchain and DeFi entrepreneurs with a proven track record as investors, technologists, and business builders in this emerging industry, having successfully launched a top DeFi protocol. (the “Proposed Transaction”). The Proposed Transaction is subject to the parties completing its respective due diligence and negotiating and entering into a definitive agreement and other ancillary documents necessary to complete the Proposed Transaction.

As of December 31, 2020, Bucephalus had cash of \$18,424 (2019 - \$54,583), bridge loans of \$36,020 (2019 - \$86,615) with associated accrued interest receivable of \$24,811 (2019 - \$31,058), accounts receivable of \$17,653 (2019 - \$20,971) and portfolio investments of \$258,866 (2019 - \$258,247).

Bucephalus Capital's philosophy and strategy is to follow a disciplined and systematic approach to investment and be guided by four core principles which will be applied consistently across all industries:

- Capital Preservation;
 - Secure Generation of Income;
 - Risk Management; and
 - Shareholder Value.
- (1) Capital Preservation: This principle is at the core of Bucephalus Capital’s investment guidelines. Bucephalus Capital secures its bridge loans through a variety of instruments, including by taking a first charge on company assets and marketable securities and/or guarantees, which generally provide Bucephalus Capital with two to three times asset coverage.
 - (2) Secure Generation of Income: Investments that provide cash flows in the form of dividends, interest payments and/or distributions will be a factor in each of Bucephalus Capital’s investment requirements. Bucephalus Capital’s goal is to have the ability to payout a dividend to its shareholders on an annual basis.
 - (3) Risk Management: Bucephalus Capital’s management will take on an active role in each of its investments by requiring Bucephalus Capital Board representation as well as weekly reporting of an investee company’s operations.
 - (4) Shareholder Value: The principal driver of Bucephalus Capital’s corporate initiatives and investment decisions is the objective of creating and enhancing long-term value for its shareholders.

The Corporation supplements its active investment business by making investments with its unallocated cash in a diversified portfolio of high-yielding marketable securities such as bonds, preferred shares and royalty and income trusts, thus increasing its overall yield. Bucephalus Capital seeks to maximize income and preserve capital with these investments. Investment of Bucephalus Capital’s funds are chosen on a fundamental basis with emphasis on the track

record of management and quality of assets as well as competitive and sustainable business advantages.

Bucephalus Capital works with management of operating companies in order to create and enhance value for businesses in which Bucephalus Capital assumes a position. These activities include equity financings, developing mergers and acquisitions, providing operational management support and structuring and negotiating debt and equity placements. Bucephalus Capital may also acquire positions in private companies at valuations that incorporate conservative earnings multiples and stable cash flows.

Loan Portfolio

As at December 31, 2020, Bucephalus Capital has two (2019 – three) bridge loans outstanding for a total of \$36,020 (2019 - \$86,615) with accumulated interest and fees of \$24,811 (2019 - \$31,058). The interest rate for the loans held in 2020 is 12% (2019 – 12%). All of the bridge loans held in 2020 are short term in nature (due in 2021) and are secured by either personal guarantees, equipment or marketable securities.

Investment Portfolio

As at December 31, 2020, Bucephalus Capital owned common shares of companies with a value of \$258,866 (December 31, 2019 - \$258,247).

During the year ended December 31, 2020, the Company incurred change in the value of portfolio investments of \$92 (2019 – (\$819,176)).

Operating Results for the year ended December 31, 2020

Revenues

For the year ended December 31, 2020, Bucephalus Capital had interest income on its bridge loans of \$5,098 (2019 - \$29,359), change in value of portfolio investment of \$92 (2019 – (\$819,176)), a foreign exchange gain of \$912 (2019 – loss of \$7,334), credit losses of (\$60,836) (2019 – (\$87,218)) and dividend income of \$1,268 (2019 - \$1,615) for total revenue (\$53,466) (2019 – (\$882,754)).

Expenses

Bucephalus Capital incurred \$17,100 (2019 - \$36,242) for audit, legal and regulatory costs, \$25,336 (2019 - \$24,580) in filing fees and listing fees, \$276,000 in consulting fees (2019 - \$276,000) for fees to the Company's CEO, CFO and consultants and \$3,431 (2019 - \$20,470) in office expenses. The Company anticipates similar fees, filing fees, legal fees and office expenditures in 2021.

Net loss for the period was \$375,333 (2019 –\$1,255,511) or \$0.01 per share (2019 - \$0.04).

Summary of Annual Results

For the year ended	Dec 31/20	Dec 31/19	Dec 31/18
Total revenue	\$ (53,466)	\$ (882,754)	\$ (260,441)
Net income (loss) for the period	(375,333)	(1,255,511)	(639,167)
Net income (loss) per share ⁽¹⁾	(0.01)	(0.04)	(0.02)
Total assets	356,524	452,124	1,585,499
Long term financial liabilities	-	-	-
Dividends paid	-	-	-

Operating Results for the quarter ended December 31, 2020

Revenues

For the quarter ended December 31, 2020, Bucephalus Capital had change in value of portfolio investment of \$11,894 (2019 – (\$782,751)), a foreign exchange loss of \$3,780 (2019 – loss of \$2,460), credit losses of (\$60,836) (2019 – (\$82,871) and dividend income of \$198 (2019 - \$402) for total revenue (\$60,305) (2019 – (\$863,400)).

Expenses

Bucephalus Capital incurred \$4,000 (2019 - \$24,242) for audit, legal and regulatory costs, \$6,267 (2019 - \$5,321) in filing fees and listing fees, \$69,000 in consulting fees (2019 - \$69,000) for fees to the Company's CEO, CFO and consultants and \$2,644 (2019 - \$6,374) in office expenses. The Company anticipates similar fees, filing fees, legal fees and office expenditures in 2021.

Net loss for the period was \$142,214 (2019 –\$968,025) or \$0.01 per share (2019 - \$0.03).

Summary of Quarterly Results

For the quarters ended	Dec 31/20	Sept 30/20	Jun 30/20	Mar 31/20
Total revenue	\$ (60,305)	\$ 1,207	\$ 646	\$ 4,986
Net income (loss) for the period	(142,214)	(77,529)	(82,062)	(73,528)
Net income (loss) per share ⁽¹⁾	\$ (0.01)	\$ (0.00)	\$ (0.00)	\$ (0.00)

For the quarters ended	Dec 31/19	Sept 30/19	Jun 30/19	Mar 31/19
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Total revenue	\$ (867,747)	\$ (56,300)	\$ (35,426)	\$ 76,719
Net income (loss) for the period	(972,372)	(139,678)	(129,679)	(13,782)
Net income (loss) per share ⁽¹⁾	\$ (0.04)	\$ (0.005)	\$ (0.005)	\$ (0.00)

(1) Net income (loss) per share has been calculated using the weighted average number of common shares during each period. Diluted income (loss) per share was not calculated as it would be anti-dilutive.

Liquidity

As at December 31, 2020, Bucephalus had \$18,424 (2019 - \$54,583) in cash and short-term investments. The Corporation had a working capital deficit of \$173,840 (2019 – working capital of \$201,493).

Subsequent to year end, the Company completed \$2,750,000 in private placement financings.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. The Corporation believes that cash flow from continuing operations and existing cash resources will be sufficient to meet the Bucephalus’s short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support the Corporation’s operations in the long-term. However, Bucephalus may procure debt or equity financing from time to time to fund its operations.

Capital Resources

Management is not aware of any significant commitments or expected fluctuations with respect to its capital resources at the date of its financial statements.

Off-balance Sheet Arrangements

There are no off-balance sheet arrangements.

Subsequent Events

In the first quarter of 2021, a total of 1,800,000 stock options were exercised at \$0.07 for proceeds of \$126,000.

On March 2, 2021, the Company sold 100% of the shares of its wholly owned subsidiary Bradstone Financial Corporation (“BFC”) in exchange for a \$148,765 secured 5-year promissory note. Included in the net assets of BFC were 3,358,636 common shares of MMC (note 6), 430,000 common shares of Rise Life Sciences Corp. (note 6), and accounts payable to management of \$530,190. The note bears interest at the Canadian prime rate and is secured against the shares of MMC and becomes payable in the event the buyer sells the security.

On March 19, 2021, the Company closed a non-brokered private placement issuing 25,000,000 units at a price of \$0.05 per Unit for gross proceeds of \$1,250,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on March 19, 2024 at an exercise price of \$0.25. Finder's fees of \$78,750 were paid and 1,750,000 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of \$0.05 for a period of thirty-six months from closing were issued in relation to the Private Placement. All securities issued under the Private Placement are subject to a four month hold period in accordance with applicable securities laws.

On March 25, 2021, the Company granted an aggregate of 1,400,000 options to purchase common shares of the Company exercisable at a price of \$0.22 per share for a period of 3 years to officers and consultants of the Company.

On April 23, 2021, the Company closed a non-brokered private placement issuing 9,999,999 units at a price of \$0.15 per Unit for gross proceeds of \$1,500,000. Each Unit consisted of one subordinated voting common share of the Company and one Common Share purchase warrant. Each full warrant entitles the holder to acquire one additional Common Share for a period of thirty-six months expiring on April 23, 2024 at an exercise price of \$0.25. Finder's fees of \$61,220 were paid and 491,466 finders warrants entitling certain eligible persons to acquire a Unit exercisable at a price of \$0.25 for a period of thirty-six months from closing were issued in relation to the Private Placement. All securities issued under the Private Placement are subject to a four month hold period in accordance with applicable securities laws.

On April 27, 2021, the Company entered into a service agreement with Ninepoint Partners GP Inc. who will receive a \$25,000 per month advisory fee and were issued 5,000,000 performance warrants exercisable at a price of \$0.35 to purchase common shares of the Company for a period expiring on the earlier of 3 years or a date that is 90 days after the advisory ceases to provide services to the Company.

On April 27, 2021, the Company entered into of a non-binding letter of intent to acquire a 100% interest in Layer2 Blockchain Inc., a company which manages capital, technology, and infrastructure in the decentralized finance (DeFi) cryptocurrency sector, with a focus on scalable layer two DeFi protocols.

On April 28, 2021, the Company granted an aggregate of 2,150,000 options to purchase common shares of the Company exercisable at a price of \$0.42 per share for a period of 3 years to directors, officers and consultants of the Company.

Transactions with Related Parties

During 2018, the Company loaned US\$303,000 to a company who has a common director with the Company. As at December 31, 2020 the remaining principal amount of the loan is US\$129,029 or C\$164,280 (December 31, 2019 - C\$167,479). US\$105,000 or C\$133,686 (December 31, 2019 - C\$136,290) was syndicated to other lenders and therefore the net amount of the loan to the Company is US\$24,029 or C\$30,594 (December 31, 2019 - C\$31,189). As at December 31, 2020 a net amount of C\$8,768 (December 31, 2019 - C\$15,494) in interest has been accrued. Expected credit losses were estimated at C\$4,575 at December 31, 2020 (2019 - C\$4,575).

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the year ended December 31, 2020 and 2019 as follows:

	Dec 31, 2020	Dec 31, 2019
Salaries and benefits	\$ 112,000	96,000
Share based compensation	-	-
	<hr/> 112,000	<hr/> 96,000

Proposed Transactions

There were no proposed transactions as at the date of the Corporation's financial statements.

Critical Accounting Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Financial statement items subject to significant management judgment include:

Credit losses – Management exercises judgement to determine the expected credit losses on loans (note 3 (B)).

Valuation of portfolio investments – Where investments are not traded in an active market, management exercises judgement to determine the fair value of these assets. These assumptions include observation of recent private sales on the underlying securities (if available) and estimating the inputs to the the Black-Scholes option pricing model (note 3 (B)).

The Black-Scholes option pricing model is used to determine the fair value of the share-based payments and utilizes subjective assumptions such as expected price volatility and expected life of the option. Discrepancies in these input assumptions can significantly affect the fair value estimate (note 3 (H)).

While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Changes in Accounting Policies

IFRS 16, *Leases*

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The adoption of this standard effective January 1, 2019 did not materially impact the financial statements.

Risks and Uncertainties

Risk Management

The success of Bucephalus is dependent upon its ability to assess and manage all forms of risk that affect its operations. Like other financial institutions, Bucephalus is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Bucephalus. The Bucephalus Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Bucephalus's most prominent risks follows.

Market Risk

Bucephalus is exposed to certain market risk that the value of, or future cash flows from, Bucephalus's financial assets will significantly fluctuate due to changes in market prices. The value of the financial assets can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. Bucephalus is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, Bucephalus is required to mark to market its fair value through profit or loss investments at the end of each reporting period. This process could result in significant write-downs of Bucephalus's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Bucephalus's financial position. Bucephalus manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Bucephalus Board monitors changes in the market on an ongoing basis and adjusts Bucephalus's lending practices and policies when necessary to reduce the impact of the above risks.

Liquidity Risk

Liquidity risk is the risk that Bucephalus will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from making loan advances

and receiving loan repayments. The goal of liquidity management is to ensure that adequate cash is available to honour all future investments. As well, effective liquidity management involves determining the timing of such commitments to ensure cash resources are optimally utilized.

As at December 31, 2020, Bucephalus had \$18,424 (2019 - \$54,583) in cash. The Corporation had a working capital deficit of \$173,840 (2019 – working capital of \$201,493).

Subsequent to year end, the Company completed \$2,750,000 in private placement financings.

Bucephalus Capital does not have any bank indebtedness. In managements' opinion, Bucephalus Capital has sufficient resources to meet its current cash flow requirements.

Management is not aware of any trends or expected fluctuations that would create any liquidity deficiencies. Bucephalus believes that cash flow from continuing operations and existing cash resources will be sufficient to meet Bucephalus Capital's short-term requirements, as well as ongoing operations, and will be able to generate sufficient capital to support Bucephalus Capital's operations in the long-term. However, Bucephalus Capital may procure debt or equity financing from time to time to fund its operations.

Currency Risk

Bucephalus Capital is exposed to certain currency risks that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. At times Bucephalus Capital intends to take advantage of foreign exchange contracts to manage the risk of currency fluctuations. As of December 31, 2019, Bucephalus Capital did not hold any such contracts.

Other Risks

Dependence on Key Personnel

Bucephalus Capital is dependent upon the personal efforts, performance and commitment of its senior officers and directors, who are responsible for the development of Bucephalus Capital's business. Investors will be relying upon the business judgment, expertise and integrity of Bucephalus Capital's senior officers and directors. To the extent that the services of any of the senior officers or directors would be unavailable for any reason, a disruption to the operations of Bucephalus Capital could result, and other persons would be required to manage and operate Bucephalus Capital. Bucephalus Capital's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. There can be no assurance that Bucephalus Capital will be successful in attracting and retaining such personnel.

Possible Volatility of Stock Price

The market price of the Subordinate Shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in Bucephalus Capital's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as

recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Subordinate Shares.

Competition

Bucephalus Capital operates in an increasingly competitive environment. Both large and small competitors compete with Bucephalus Capital. Some of these competitors may have longer operating histories, greater name recognition and greater financial and marketing resources than Bucephalus Capital. Bucephalus Capital believes that its ability to compete effectively is dependent upon the quality of its product and client service. There can be no assurance that Bucephalus Capital will be able to compete effectively and retain its existing clients or attract and retain new clients. Bucephalus Capital's current and potential competitors may develop and market new products or services that render Bucephalus Capital's existing and future products and services less marketable or competitive.

Maintenance of Client Relationships

The ability of Bucephalus Capital to attract and maintain clients requires that it provide a competitive offering of products and services that meet the needs and expectations of its clients. Bucephalus Capital's ability to satisfy the needs or demands of its clients may be adversely affected by factors such as the inability or failure to identify changing client needs or expectations or the inability to adapt in a timely and cost-effective manner to innovative products and services offered by competitors.

Strategic Relationships

Bucephalus Capital anticipates that, from time to time, it will enter into strategic relationships to syndicate certain bridge loans where appropriate, as part of its strategy to diversify and manage risks associated with its bridge loan portfolio. Syndication will afford Bucephalus Capital the opportunity to participate in much larger transactions. There can be no assurance that Bucephalus Capital will be able to enter into such relationships in the future, and its inability to do so may adversely affect its ability to continue to service its existing and prospective clients.

Share Data

Bucephalus Capital's issued and outstanding share capital is as follows:

Outstanding Shares

	Apr 28, 2021	Dec 31, 2020	Dec 31, 2019
Subordinate Shares	63,863,912	23,809,395	23,752,062
Multiple Shares	<u>2,450,328</u>	<u>5,704,846</u>	<u>5,762,179</u>
Total Shares Outstanding	<u>66,314,240</u>	<u>29,514,241</u>	<u>29,514,241</u>

Outstanding Warrants

	Apr 28, 2021	Dec 31, 2020	Dec 31, 2019
Number of warrants	41,479,999	-	-
Price	\$0.25	-	-
Expiry date	March to April 2024	-	-

Outstanding Options

	Apr 28, 2021	Dec 31, 2020	Dec 31, 2019
Number of options	3,550,000	1,900,000	1,900,000
Price	\$0.34	\$0.07	\$0.07
Expiry date	March to April 2024	May 27, 2021	May 27, 2021

Forward-Looking Information

These materials include certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Other than statement of historical fact, all statements in this material, including, without limitation, statements regarding disclosure of contingent liabilities at the date of the consolidated financial statements and financial statement items subject to significant management judgment include revenue recognition; loan impairment and losses; the valuation of accounts receivable, the valuation of bridge loans and development and rental properties, future income tax assets, estimated asset retirement obligations, and future plans and objectives of the Company, are forward-looking statements that involve various known and unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of these materials. Important factors that could cause actual results to differ materially from the Company's expectations include, without limitation, the level of bridge loans completed, the nature and credit quality of the collateral security, estimated asset retirement obligations, as well as those factors discussed in

the Company's documents filed from time to time with the Canadian Securities Exchange, Canadian securities regulators and other regulatory authorities. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice.

