

# CDN MSolar Corp.

## MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2017

As at February 28, 2018

This management's discussion and analysis (the "MD&A") of CDN Msolar Corp. (the "Company" or "CMS" is dated as of February 28, 2018. The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes thereto for the nine months ended December 31, 2017 and 2016, and the audited financial statements and related notes thereto for the financial years ended March 31, 2017 and 2016. Copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). IFRS has been applied since the incorporation.

All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

## **FORWARD-LOOKING STATEMENT**

This MD&A includes certain forward-looking information and forward-looking statements (collectively "Forward-Looking Statements") concerning the future performance of the Company's business, operations and financial performance and condition, as well as management's objectives, strategies, beliefs and intentions. Forward-Looking Statements are frequently identified by such words as "may", "will", "plan", "expect", "anticipate", "estimate", "intend" and similar words referring to future events and results. Forward-Looking Statements are based on the current opinions and expectations of management based on currently available information. All Forward-Looking Statements are inherently uncertain and subject to a variety of risks and uncertainties, as described in Risks and Uncertainties below. Such Forward-Looking Statements are based on a number of assumptions, including but not limited to, information or statements concerning the Company's expectations for its ability to raise capital and meet the Company's obligations. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual events or results may differ materially from those expressed or implied in the Forward Looking-Statements. Investors are cautioned against placing undue reliance thereon. The Company undertakes no obligation to revise or update the Forward-Looking Statements, except as required by applicable law.

## **OVERALL PERFORMANCE**

### **Corporate Structure and History**

The Company was incorporated under the *Business Corporations Act* (British Columbia) on March 15, 2013. On September 30, 2013, the Company completed an amalgamation with MN Ventures Ltd. ("MN"), a reporting issuer in each of the provinces of British Columbia and Alberta. The Company continues under the name CDN MSolar Corp. following the amalgamation. On April 8, 2014, the common shares of the Company were listed on the Canadian Securities Exchange under the symbol "CNSX:CMS".

The Company is established to be the exclusive worldwide marketing and business development with Dongying Minghui New Energy Science & Technology Co., Ltd. ("Minghui"). Minghui is located in the national economic and technology development zone in the city of Dongying located on the Yellow River delta in the Shandong Province of China. Minghui has developed, created and manufactured

certain products and systems that involve proprietary technologies, patents, methodologies, systems and solutions regarding integrated energy saving technology, collectively, the Minghui developments, IP and products (the “Minghui Technology”). Minghui has developed over thirty patents in conjunction with several Chinese universities in China. At its core, Minghui designs, manufactures and sells integrated energy saving technology (“IEST”) systems combining its flat-panel solar collector, multi-source heat pump and deep geothermal pump in response to a growing demand for energy-saving solutions designed for residential and commercial buildings. The Company plans to expand Minghui operations from its base in China to the international market.

The success of the Company is dependent upon certain factors that may be beyond management’s control, such as political, currency, and liquidity risk. If the Company is unable to fund its investments or otherwise fails to invest in an active business, its business, financial condition or results of operations could be materially and adversely affected.

### **Description of Business**

On April 15, 2013, the Company signed a Technology Transfer Agreement (the “Agreement”) to purchase the Minghui Technology for \$195,000 in exchange for 9,750,000 common shares valued at \$0.02 per share. Pursuant to the Agreement, Minghui granted the Company an irrevocable license to produce, develop market, sell and/or otherwise distribute the Minghui Technology. The license is unlimited to use and exploitation worldwide, with the exception of China.

When Minghui’s Technology – solar plates – are mounted on walls or roof tops and combined with the buildings existing radiation appliances, high-efficient energy storage devices are coupled with our multi-source heat pump technology. The Company creates a fully integrated energy-saving heating and cooling solution. The Company uses multiple renewable energy sources (such as ground-source heat, water-source heat, industrial waste heat and rich deep geothermal energy) which allow the Company’s solutions to be composed of a variety of renewable energy systems and resources and means the Company can provide very flexible solutions.

The Company decided to terminate the plan to establish 1 initial IEST system installation in BC as North American demonstration projects because of change of the business strategies. The Company changed its business strategy to focus on the marketing of geothermal energy technology and PV power generation technology on behalf of Minghui, in North America. The Company will assist Minghui to export these technologies from China to North America. The Company will continue to expand its partnerships with residential and commercial contractors that are active in installing and promoting energy-saving building technologies.

The Company does not have sufficient funds to operate the business normally.

On August 8, 2017, The Company was found to in default of Canadian Securities Exchange (CSE) requirements and as such was suspended pursuant of CSE Policy 3. The suspension is considered a Regulatory Halt as defined in National Instrument 23-101 Trading Rules. A cease trade order has been issued by the Ontario and British Columbia Securities Commission. This cease trade order was revoked November 1, 2017 in BC and Ontario however, the company has not yet completed the process for reinstatement with the CSE.

The Company is in the process of taking remedial action.

### SELECTED ANNUAL INFORMATION

The financial results of the Company for the financial years ended March 31, 2017, 2016 and 2015 are summarized as follows:

	For the Financial Year ended March 31, 2017 (\$)	For the Financial Year ended March 31, 2016 (\$)	For the Financial Year ended March 31, 2015 (\$)
<b>Total Revenue</b>	-	-	-
<b>Profit or (Loss) from Continuing Operations</b>			
(i) Total for the Year	(415,933)	(132,602)	(91,183)
(ii) per share – basic	(0.02)	(0.01)	(0.00)
(iii) per share - fully diluted	(0.02)	(0.01)	(0.00)
<b>Net Profit or (Loss)</b>			
(i) Total for the Year	(415,933)	(132,602)	(91,183)
(ii) per share – basic	(0.02)	(0.01)	(0.00)
(iii) per share - fully diluted	(0.02)	(0.01)	(0.00)
<b>Total Assets</b>	7,791	430,533	562,531
<b>Total Non-Current Financial Liabilities</b>	-	-	-
<b>Distributions or Cash Dividends declared per-share</b>	-	-	-

## DISCUSSION OF OPERATIONS

The financial results of the Company for the nine months ended December 31, 2017, 2016 and 2015 are summarized as follows:

	Nine Months ended December 31, 2017 (\$)	Nine Months ended December 31, 2016 (\$)	Nine Months ended December 31, 2015 (\$)
<b>Net Profit or (Loss)</b>	(47,465)	(95,321)	(103,686)
<b>Basic/Diluted Profit or (Loss) per share</b>	(0.00)	(0.00)	(0.00)
<b>Total Assets</b>	1,817	158,621	286,501
<b>Total Liabilities</b>	364,192	28,683	27,465

During the nine months period ended December 31, 2017, the Company had no material operations.

For the nine months period ended December 31, 2017, the Company incurred a loss of \$47,465 (2016: \$95,321) and had an accumulated deficit of \$1,158,467 (2016: \$790,391). The most significant reason for the decrease in net loss is because of decrease in operation costs.

Salary and benefits for the nine months ended December 31, 2017 were significantly lower at \$nil (2016: \$31,854).

Professional fees for the nine months ended December 31, 2017 were \$25,319 (2016: \$17,324). The most significant reason increased in professional fees was due to legal fees incurred regarding disputes with and lawsuit against a former President and director.

Transfer agent and filing fees for the nine months ended December 31, 2017 were \$17,506 (2016: \$6,331).

## SUMMARY OF QUARTERLY RESULTS

The financial results for each of the eight most recently completed quarters are summarized as follows:

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	<b>Three Months ended December 31, 2017</b>	<b>Three Months ended September 30, 2017</b>	<b>Three Months ended June 30, 2017</b>	<b>Three Months ended March 31, 2017</b>
	(\$)	(\$)	(\$)	(\$)
<b>Total Assets</b>	1,817	1,226	8,135	7,791
<b>Working Capital (Deficiency)</b>	(362,375)	(75,662)	(69,032)	(54,911)
<b>Shareholders' Equity</b>	(362,375)	(335,663)	(329,032)	(314,911)
<b>Profit or (Loss)</b>	(47,465)	(6,631)	(14,121)	(320,612)
<b>Profit or (Loss) per share</b>	(0.00)	(0.00)	(0.00)	(0.01)
	<b>Three Months ended December 31, 2016</b>	<b>Three Months ended September 30, 2016</b>	<b>Three Months ended June 30, 2016</b>	<b>Three Months ended March 31, 2016</b>
	(\$)	(\$)	(\$)	(\$)
<b>Total Assets</b>	308,708	377,715	401,793	430,533
<b>Working Capital (Deficiency)</b>	5,701	46,728	74,240	98,809
<b>Shareholders' Equity</b>	5,701	48,455	76,210	101,022
<b>Profit or (Loss)</b>	(42,754)	(27,755)	(24,812)	(28,916)
<b>Profit or (Loss) per share</b>	(0.00)	(0.00)	(0.00)	(0.00)

During the three months period ended December 31, 2017, the Company had no material operations.

For the three months ended December 31, 2017, the Company incurred a loss of \$26,712 (2016: \$42,754). The most significant reason for the decrease in net loss is because of decrease in operation

costs.

Salary and benefits for the three months ended December 31, 2017 were significantly lower at \$nil (2016: \$10,640).

Transfer agent and filing fees for the three months ended December 31, 2017 were higher at \$14,638 (2016: \$1,201).

## **LIQUIDITY AND CAPITAL RESOURCES**

The financial results for the nine months ended December 31, 2017, 2016 and 2015 are summarized as follows:

	<b>Nine Months Period ended December 31, 2017 (\$)</b>	<b>Nine Months Period ended December 31, 2016 (\$)</b>	<b>Nine Months Period ended December 31, 2015 (\$)</b>
<b>Cash Flows from Operating Activities</b>	245,115	(79,486)	(96,702)
<b>Cash Flows from Investing Activities</b>	-	1,485	-
<b>Cash Flows from Financing Activities</b>	(245,115)	(41,000)	-
<b>Increase (decrease) in Cash and Cash Equivalents</b>	-	(119,001)	(98,159)
<b>Cash and Cash Equivalents – Beginning of Year</b>	-	120,305	248,355
<b>Cash and Cash Equivalents – End of Year</b>	-	1,304	150,196

	<b>Nine Months Period ended December 31, 2017 (\$)</b>	<b>Nine Months Period ended December 31, 2016 (\$)</b>	<b>Nine Months Period ended December 31, 2015 (\$)</b>
<b>Cash and Cash Equivalent</b>	-	1,304	150,196
<b>Total Assets</b>	1,817	308,708	158,621
<b>Total Liabilities</b>	364,192	303,007	28,683
<b>Share Capital</b>	796,092	796,092	796,092
<b>Total Shareholders' Equity</b>	(362,375)	5,701	129,398
<b>Total Liabilities and Shareholders' Equity</b>	1,817	308,708	158,621

As at December 31, 2017, the Company had cash and cash equivalent of \$0 (2016: \$1,304).

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As at December 31, 2017, and up to the date of this MD&A, the Company had no off-balance sheet arrangements.

#### **RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the year ended March 31, 2015, the Company made an advance to its former President, who was also a director, of the Company, in the amount of \$300,000. The amount is unsecured, non-interest bearing and with no fixed terms of repayment. This person was removed as the President of the Company in January of 2017 and ceased to be a director of the Company in March of 2017. The Company has filed a civil claim lawsuit against the former President. As the outcome of the legal proceeding is uncertain and management believe that the Company's recovery of this amount is doubtful, the Company has provided a provision against this advance receivable of \$300,000 as a bad debt expense for the year ended March 31, 2017.



In addition, the Company has also filed a second claim against the former President alleging that the former President wrongfully took possession of an advance intended to be made to the Company by a controlling shareholder. The outcome of this claim is uncertain.

As at December 31, 2017, an amount of \$38,963 (2016: \$300,000) was due to a President and director of the Company. The amount is unsecured, non-interest bearing and with no fixed terms of repayment.

As at December 31, 2017, an amount of \$24,837 (2016: \$24,837) was due to a former President of the Company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

There was no key management remuneration or payroll paid during the year.

### **PROPOSED TRANSACTION**

As at December 31, 2017, and up to the date of this MD&A, there were no proposed transactions of the Company, other than as disclosed herein.

### **CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

As at December 31, 2017, the Company was a “venture issuer” as that term is defined in National Instrument 51-102 Continuous Disclosure Obligations, and as such is not required to provide the information pertaining to the critical accounting estimates of the Company.

For a detailed summary of the Company's accounting policies, the reader is directed to Note 3 of the Notes to unaudited condensed interim financial statements and related notes thereto for the nine months ended December 31, 2017 and 2016, and the audited financial statements of the Company for the financial year ended March 31, 2017 and 2016 available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENT**

The Company's financial instruments consist of cash and cash equivalents, due from related party, accounts payable and due to related parties. The fair value of the Company's financial instruments approximates their carrying value because of the demand nature or short-term maturity of these instruments.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner:

Strategic and operational risks are risks that arise if the Company fails to develop the solar business in Canada under the Minghui Technology Agreement and/or to debt financing in financing the business development. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's expenses are denominated in Canadian dollars. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal. The Company holds no financial instruments that are denominated in a currency other than Canadian dollar.

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The credit risk on cash and cash equivalents is limited because the Company has no trade receivables as at December, 2017 and 2016. Therefore, the Company is not exposed to significant credit risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at December 31, 2017, the Company had cash of \$0 (2016: \$1,304) to settle accounts payable of \$300,392 (2016: \$19,170) and due to related parties of \$63,800 (2016: \$283,837) which significantly fall due for payment within twelve months of the financial position date.

## **FUTURE CASH REQUIREMENTS**

The Company's future capital requirements will depend on many factors, including, among others, cash flow from operations. If the Company pursues other business opportunities, the Company may need to raise additional funds through debt or equity financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. Accordingly, the Company is investigating various business opportunities that ideally will increase the Company's positive cash flow.

## **RISKS AND UNCERTAINTIES**

### Start Up Venture

As a start up venture the Company's prospects are affected by the risks, expenses, and difficulties frequently encountered by companies in the growth stage, particularly companies in highly competitive markets. As an early growth-stage company, the risks faced by BC518 include, but are not limited to, evolving and unpredictable business models and growth management. To address these risks, the Company must, among other things, expand its customer base, implement and successfully execute

its business and marketing strategy, continue to develop and upgrade its processes and technology, provide superior service to customers, respond to competitive developments, and attract, retain, and motivate qualified personnel. There is no assurance that it will be profitable in the future.

The success of the Company is dependent upon certain factors that may be beyond the Company's control. If the Company is unable to fund any such investment required to advance the business under the Minghui Technology agreement or otherwise fails to invest in new technology or obtain adequate sales, then financial condition or results of operations could be materially and adversely affected.

#### Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies involved in operations that may be related to the business the Company enters into. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

#### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVEUNE**

The required additional disclosure concerning the Company is contained in the unaudited condensed interim financial statements and related notes thereto for the nine months ended December 31, 2017 and 2016, and contained in the audited financial statements and related notes thereto for the financial year ended March 31, 2017 and 2016. Copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

On April 15, 2013, the Company issued 9,750,000 shares at \$0.02 per share to Dongying Minghui New Energy Science & Technology Co., Ltd. as a part of a technology transfer agreement for the total of \$195,000. On May 3, 2013, the Company issued 6,250,000 shares at \$0.02 for debts settlement, of which 4,000,000 shares were issued to a company controlled by the President. On May 31, 2013, the Company redeemed 1 share which was issued upon incorporation.

On August 26, 2013, the Company issued 2,000,000 shares for cash at \$0.05 per share for total proceeds of \$100,000. On October 10, 2013, the Company issued 1,999,997 common shares valued at \$0.05 per share for a total of \$100,000 upon amalgamation with MN Ventures Ltd. In addition, the Company exchanged the original 18,000,000 common shares outstanding under the predecessor, CDN MSolar Corp. for 18,000,000 common shares of CDN MSolar Corp., the amalgamated Company.

On December 19, 2013, the Company has issued 260,920 common shares to the President of the Company at \$0.10 per share as a settlement of the convertible debenture agreement. The fair value of the shares on December 19, 2013 was considered to be \$0.10.

On March 2, 2014, the Company issued 1,666,667 shares for cash at \$0.15 per share for total proceeds of \$250,000.

As at December 31, 2017, the company has 21,927,584 issued and outstanding common shares (2016: 21,927,584) of which no common share is held in escrow (2016: 2,379,138).

As at the date of this report, there were no stock options or warrants outstanding.

**ADDITIONAL INFORMATION**

Additional information pertaining to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).