

# **GREAT OAK ENTERPRISES LTD.**

**(FORMERLY 10557633 CANADA CORP.)**

## **Management's Discussion and Analysis of the Financial Condition and Results of Operations**

**Three and six months ended June 30, 2019 and 2018**

*The following management discussion and analysis ("MD&A") of Great Oak Enterprises Ltd., formerly 10557633 Canada Corp. (the "Company" or "Great Oak") provides a review of corporate developments, results of operations and financial position for the three and six months ended June 30, 2019 and 2018 ("Q1 and Q2"). This discussion is prepared as of August 28, 2019 and should be read in conjunction with the Company's unaudited interim financial statements for the three and six months and six months ended June 30, 2019 and 2018 and the audited annual financial statements for the period from December 27, 2017 (date of incorporation) to December 31, 2018. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency. Additional information regarding 10557633 is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.*

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**FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements

Selected forward-looking statements, assumptions, and risk factors are as follows:

<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
The Company is working towards completing a Qualifying Transaction.	The Company expects to identify an asset or business to acquire and close a Qualifying Transaction, on terms favourable to the Company.	The Company’s inability to find a target, the inability to satisfy all of the conditions precedent (due diligence, shareholder and regulatory approval, financing) to complete a Qualifying Transaction, resulting in the Company remaining as a reporting issuer only.
The Company’s ability to meet its working capital needs at the current level for the year December 31, 2019.	The operating activities of the Company for the year December 31, 2019, and the costs associated therewith, will be consistent with the Company’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to the Company.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; regulatory compliance and changes in regulatory compliance and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.

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**COMPANY OVERVIEW**

Great Oak Enterprises Ltd. was incorporated on December 27, 2017 under the Canada Business Corporations Act with its head office located at 401 Bay Street, Suite #2100, Toronto, Ontario, Canada, M5H 2Y4. The Company, as a reporting issuer in the provinces of British Columbia, Alberta and Manitoba, is subject to the rules and regulations of the relative provincial securities commissions, but its shares do not trade on any stock exchange. The Company has no current active business operations and its principal business is the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction such that the Company's shares can be approved for listing and trading on a recognized Canadian stock exchange.

Where a Qualifying Transaction is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will be able to complete a Qualifying Transaction or that it will be able to secure the necessary financing to complete a Qualifying Transaction.

**PLAN OF ARRANGEMENT**

Under the terms of a Plan of Arrangement approved by the Ontario Superior Court of Justice on March 26, 2018, the Company acquired substantially all the rights and interests in a Letter of Intent ("LOI") between Telferscot Resources Inc. ("Telferscot") and Enviro Resources Limited ("ERL"). As consideration for acquisition of this LOI, Great Oak Enterprises Ltd. issued 2,499,996 common shares to Telferscot, which were then distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot. The LOI has been assigned a nominal value of \$1. Telferscot had previously signed with ERL to cooperate with ERL on the acquisition and development of environmentally-beneficial consumer, commercial and products. ERL has successfully acquired and progressed and commercialized products in this sector over the past 5 years and is looking for a strategic partner to fund new opportunities. Following completion of the Plan of Arrangement, Great Oak would acquire the right of first refusal to fund ERL products and acquisitions.

**CORPORATE**

On April 3, 2018, Robert Kirtlan and Jun He were appointed as directors of the Company.

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## **FINANCING**

### **Shares, and warrants**

On March 26, 2018, CB2 issued 2,499,996 common shares to Telferscot as consideration for the acquisition of the LOI with ERL. These common shares were in turn, distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot.

On June 21, 2018, the Company closed a non-brokered private placement offering of 105,000 units of the Company priced at \$1.20 per unit for aggregate gross proceeds of \$126,000. Each unit issued by the Company is comprised of 4 common shares valued at \$0.05 per share for total consideration of \$0.20 and 1 convertible preferred share valued at \$1.00 each, with the following terms:

- shares are non-voting
- each preferred share is redeemable by the holder at \$1.00 per share
- for a period of 10 months from closing, each preferred share is convertible into 20 common shares valued at \$0.05 each, and 20 common share purchase warrants to buy 1 common share per warrant at a price of \$0.05 per warrant for a period up to 1 year from closing.

On April 18, 2019, 105,000 preferred shares of the Company were converted into 2,100,000 common shares and 2,100,000 common share purchase warrants. Each warrant is exercisable to one common share of the Company at an exercise price of \$0.05 for a period of 12 months.

### **Options**

On July 5, 2018, the Company issued an aggregate of 500,000 stock options to a company controlled by a director and officer for management and administrative services as part of their compensation. The options are exercisable at a price of \$0.05 each for a period of up to 3 years from the date of issuance and are vested in two tranches under certain conditions.

## **GOING CONCERN**

The accompanying financial statements have been prepared using International Financial Reporting Standards applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. It would, in this situation, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

## **FINANCIAL**

As at June 30, 2019, the Company has no source of operating cash flow and had an accumulated deficit of \$69,077 (December 31, 2018 - \$47,161). Net comprehensive loss for the three and six months ended June 30, 2019 were \$12,510 and \$21,916 respectively (2018 – 13,036 and \$19,077). The Company had a working capital deficiency of \$56,923 as at June 30, 2019 (December 31, 2018 -\$26,161). The Company's financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon its ability to arrange future financing, which is largely dependent upon prevailing capital market conditions, the continued support of its shareholder base and completion of a Qualifying Transaction. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

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**QUARTERLY PERFORMANCE**

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

Description	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
	\$	\$	\$	\$	\$	\$
<b>Balance sheet</b>						
<b>Cash</b>	55,943	65,893	79,657	91,367	111,361	125,959
<b>Working capital (deficiency)</b>	56,923	(35,567)	(26,161)	(14,771)	1,923	14,959
<b>Shareholders' equity</b>	56,924	(35,566)	(26,160)	(14,770)	1,924	14,960
<b>Income statement</b>						
<b>Total operating expenses</b>	12,520	9,406	11,390	16,694	13,036	6,041
<b>Net loss</b>	(12,510)	(9,406)	(11,390)	(16,694)	(13,036)	(6,041)

**RESULTS OF OPERATIONS**

**Three months ended June 30, 2019 and 2018**

The Company has not so far generated any operating revenues and therefore losses have been incurred throughout the three months ended June 30, 2019 and 2018. The Company recorded a net loss of \$12,510 during the three months ended June 30, 2019 compared to a net loss of \$13,036 during the comparative period ended June 30, 2018.

Expenses included management fees of \$8,250 (2018 - \$6,000), professional fees of \$1,000 (2018 - \$4,942), regulatory expenses of \$3,263 (2018 - \$2,093), office and general expenses of \$7 (2018 - \$1). (see also "Related Party Transactions" section below).

**Six months ended June 30, 2019 and 2018**

The Company has not so far generated any operating revenues and therefore losses have been incurred throughout the three months ended June 30, 2019 and period ended June 30, 2018. The Company recorded a net loss of \$21,916 during the six months ended June 30, 2019 compared to a net loss of \$19,077 during the comparative period ended June 30, 2018.

Expenses included management fees of \$16,500 (2018 - \$12,000), professional fees of \$1,150 (2018 - \$4,942), regulatory expenses of \$4,223 (2018 - \$2,093), office and general expenses of \$53 (2018 - \$42). (see also "Related Party Transactions" section below).

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**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2019, the Company had cash of \$55,943 (December 31, 2018 - \$79,657) and working capital of \$56,923 (December 31, 2018 – a deficiency of \$26,161), fundamentally all from the proceeds of the Company's initial private placement (see "Capitalization" section below). The proceeds raised from the issuance of share capital will be mostly used to identify and evaluate assets or businesses for completion of a Qualifying Transaction and basic operating costs of a company with ongoing reporting issuer obligations.

**CAPITALIZATION**

The Company has common, preferred shares and stock options issued and outstanding at each reporting date as follows:

	<b>28-Aug-19</b>	<b>30-Jun-19</b>	<b>31-Dec-18</b>
Common shares	5,019,996	5,019,996	2,919,996
Preferred shares	2,100,000	2,100,000	105,000
Warrants	2,100,000	2,100,000	-
Stock options	500,000	500,000	500,000

The Company is a reporting issuer in the provinces of British Columbia, Alberta and Manitoba and is subject to the rules and regulations of the relative provincial securities commissions, but its shares do not trade on any stock exchange. The Company was incorporated on December 27, 2017 with the initial common share issued to the incorporator having been cancelled.

On June 21, 2018, the Company closed a non-brokered private placement offering of 105,000 units of the Company priced at \$1.20 per unit for aggregate gross proceeds of \$126,000. Each unit issued by the Company is comprised of the following:

- (i) 4 common shares valued at \$0.05 per share for total consideration of \$0.20
- (ii) 1 redeemable convertible preferred share valued at \$1.00 each, with the following major terms:
  - shares are non-voting
  - each preferred share is redeemable by the holder at \$1.00 per share
  - for a period of 10 months from closing, each preferred share is convertible into 20 common shares valued at \$0.05 each, and (2) 20 common share purchase warrants to buy 1 common share per warrant at a price of \$0.05 per warrant for a period up to 1 year from closing

105,000 preferred shares were converted on April 18, 2019, into 2,100,000 common shares and 2,100,000 common share purchase warrants. Each warrant is exercisable for one common share of the Company at an exercise price of \$0.05 for a period of 12 months.

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It is not expected that any portion of the gross proceeds received will be allocated to warrants as (i) the preference shares have not yet been converted, and there is no certainty that any will be, and (ii) there would be no remaining value to allocate using the residual method of valuation. The actual shares were issued on June 21, 2018.

As a result of the court approval of the Plan of Arrangement on March 26, 2018, Great Oak issued 2,499,996 common shares to Telferscot as consideration for the acquisition of the LOI with ERL. These common shares were issued to Telferscot on April 5, 2018, and in turn, distributed to the current shareholders of Telferscot pro-rata based on their relative shareholdings of Telferscot on April 12, 2018.

#### **RELATED PARTY TRANSACTION**

The Company is billed a monthly fee of \$2,000 (plus applicable HST) by a company controlled by a director for management and administrative services, including the corporate secretary, the services of the CFO, office rent and regular administrative functions. The fees were increased to \$2,750 per month as of August 1, 2018. During the three months and six months ended June 30, 2019, the Company incurred total fees of \$8,250 and \$16,500 respectively (2018 - \$6,000 and \$12,000).

Additionally, on July 5, 2018, the Company issued an aggregate of 500,000 stock options to the same company as part of their compensation. The options are exercisable at \$0.05 each for a period of up to 3 years from the date of issuance and are vested in two tranches during the first 12 months under certain conditions (see note 6) The total fair value of the options was estimated to be \$20,300 but none of the options has vested as at December 31, 2018 and thus the fair value has not been recognized as an expense in the period ended June 30, 2019.

#### **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

**IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The new amendments were adopted by the Company upon incorporation and have not had a significant impact on these financial statements.

**IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. If the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The new amendments were adopted by the Company upon incorporation and have not had a significant impact on these financial statements.

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**CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to complete a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have an effect on the results of operations or financial condition of the Company.

**RISKS AND UNCERTAINTIES**

**Proposed Business**

The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash and amounts receivable. It has no history of earnings, and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction.

**No Market or History of Operations**

The Company was incorporated on December 27, 2017, has not commenced commercial operations and has no assets other than cash and accounts receivable. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete a transaction.

**Directors' and Officers' Involvement in Other Projects**

The directors and officers of the Company will only devote a small portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

**Reliance on Management**

The Company is relying solely on the past business success of its directors and officers to identify and complete a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company. In such event, the Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found.

**Requirement for Additional Financing**

The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify and complete a suitable Qualifying Transaction. Further, even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to complete a transaction. The Qualifying Transaction may be financed in whole, or in part, by the issuance of additional securities by the Company and this may result in further dilution to investors, which dilution may be significant and which may also result in a change of control of the Company.



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**Foreign Qualifying Transaction**

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

**Potential Dilution**

The issue of common shares of the Company upon the exercise of the options will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

**Volatile Financial Markets**

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