# Holly Street Capital Ltd.
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE PERIOD ENDED MARCH 31, 2020

## Background

This management's discussion and analysis ("MD&A") of the operations, results, and financial position of Holly Street Capital Ltd. ("the Company") for the period ended March 31, 2020, should be read in conjunction with the Company's interim financial statements of the same period, and the audited financial statements from July 31, 2019 (date of incorporation) to September 30, 2019 and the notes to these financial statements.

The effective date of this report is May 1, 2020.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), and interpretations of the IFRS Interpretations Committee ("IFRIC") issued and outstanding as at March 31, 2020. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

## Company Overview

The Company was incorporated under the British Columbia Corporations Act on July 31, 2019. The Company is intending to be classified as a Capital Pool Company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company is the identification and evaluation of a Qualifying Transaction ("QT") and once identified, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On December 17, 2019, the Company completed its IPO on the Exchange raising gross proceeds of $250,000 through the issuance of 2,500,000 common shares at $0.10 per common share. The Company's common shares were approved for listing on the Exchange and commenced trading effective December 19, 2019 under the symbol "HSC.P".

The head office, principal address and registered office of the Company are located at Suite 1500 - 1055 West Georgia St, P.O. Box 11117, Vancouver, B.C., V6E 4N7.

The Company's continuing operations are dependent upon its ability to identify, evaluate and negotiate an acquisition of an interest in assets or businesses which qualifies as a QT within twenty-four months of listing on the TSX-V. Such an acquisition or investment will be subject to regulatory approval and may or may not require additional financing. There is no assurance that the Company will be able to complete a QT within twenty-four months of being listed or that it will be able to secure the necessary financing to complete a QT. If the Company does not meet these requirements, the TSX-V may suspend from trading or delist the shares of the Company.

## Completion of Initial Public Offering

The Company completed its initial public offering of 2,500,000 common shares at $0.10 per Share for gross proceeds of $250,000 pursuant to a Prospectus dated November 29, 2019 filed with the British Columbia, Alberta and Ontario Securities Commissions. Pursuant to the initial public offering, the Company paid a cash commission of $25,000, paid corporate finance fee of $20,500, incurred an additional $6,978 in share issuance costs, and granted 250,000 agent options.

## Overall Performance

The Company was incorporated on July 31, 2019. The Company does not have any operations to the date of this document and, until it completes a Qualifying Transaction, will not conduct any business other than the identification and evaluation of businesses and assets for potential acquisition.

As at March 31, 2020, the Company accumulated deficit of $113,284. The Company's potential acquisition of a QT and recurring operating losses and working capital needs may require that it obtain additional capital to continue its operation. Such outside capital may include the sale of additional common shares. During the period ended March 31, 2020, the Company's cash balance increased to $224,238 from $76,529. The increase is due primarily to the completion of its initial public offering offset primarily by the incursion of professional fees related to the offering.

There can be no assurance that capital will be available as necessary to meet the Company's needs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders.

## Selected Annual Financial Information

| | **July 31, 2019 (date of incorporation) to September 30, 2019** |
|---|---|
| | $ |
| Total assets | 97,029 |
| Total non-current liabilities | - |
| Total expenses(1) | 15,874 |
| Less interest income | - |
| Net loss and comprehensive loss | (15,874) |
| Basic & diluted loss per share | (0.00) |
| Weighted average number of common shares outstanding | 1 |

(1) Total expenses include professional fees.

## SELECTED QUARTERLY RESULTS

The following table contains selected financial information for the last quarter:

| *Quarters Ended:* | March 31, 2020 | December 31, 2019 | From July 31, 2019 (date of incorporation) to September 30, 2019 |
|---|---|---|---|
| | $ | $ | $ |
| Total expenses[(1)] | 10,761 | 86,649 | 15,874 |
| Less interest income | - | - | - |
| Net loss and comprehensive loss | (10,761) | (86,649) | (15,874) |
| Basic & diluted loss per share | (0.00) | (0.05) | (0.00) |

(1) Total expenses include professional fees, stock based compensation, regulatory fees and bank charges.

During the three and six months period ended March 31, 2020, the Company had a net loss of $10,761 and $97,410, respectively, primarily from professional fees relating to the initial public offering, stock based compensation expense, and regulatory fees related to the listing of the Company as a Capital Pool Company. The majority of the legal fees incurred for the period are non-recurring.

### Additional Disclosure for Venture Issuers without Significant Revenue

Additional financial information is available in the Company's interim financial statements for the fiscal period ended March 31, 2020. These statements are available on SEDAR at www.sedar.com.

The following addresses the specific disclosure requirements for venture issues without significant revenues:

(a) Capitalized or expensed exploration and development costs – Not applicable
(b) Expensed research and development costs – Not applicable
(c) Deferred development costs – Not applicable
(d) General administrative expenses – the financial information is presented in the Statement of Loss and Comprehensive Loss in the financial statements.
(e) Any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d) – None.

### Profits

At this time, the issuer is not anticipating profit or revenue from operations. The issuer will report an annual deficit and quarterly deficit and will rely on its ability to obtain equity financing to fund its search for a QT. For information concerning the business of the issuer, please see "Company Overview".

### Liquidity

The Company completed its initial public offering of 2,500,000 common shares at $0.10 per Share for gross proceeds of $250,000 pursuant to a Prospectus dated November 29, 2019 filed with the British Columbia, Alberta and Ontario Securities Commissions. Pursuant to the initial public offering, the Company paid a cash commission of $25,000, paid corporate finance fee of $20,500, incurred an additional $6,978 in share issuance costs, and granted 250,000 agent options.

As at March 31, 2020, the Company had cash of $224,238.

As at March 31, 2020 the Company had a working capital of $224,238 which is defined as current assets less current liabilities.

**Capital Resources**

On December 17, 2019, the Company completed its initial public offering of 2,500,000 common shares at $0.10 per Share for gross proceeds of $250,000.

On July 31, 2019, the Company issued 1 incorporation common share at a price of $0.01 per share. This share was repurchased by the Company and cancelled on July 31, 2019.

On July 31, 2019, the Company issued 2,000,000 seed shares to the founders of the Company at a price of $0.05 per common share for gross proceeds of $100,000.

In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company in respect of the sale of its securities, or $30,000, may be used for purposes other than such identification and evaluation of businesses or assets. These restrictions apply until completion of a QT by the Company as defined under Policy 2.4 of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval to list its shares on the Exchange.

There is no assurance that the Company will be able to identify a suitable business, asset or property as its Qualifying Transaction. Furthermore, even if a QT is identified, there can be no assurance that the Company will be able to complete the transaction.

If the Company identifies a QT, it may be necessary for the Company to seek additional financing. Capital markets may not always be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings, under terms that would be acceptable for the Company.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Transactions between Related Parties**

During the period ended March 31, 2020, the Company recognized $40,000 in stock-based compensation expense relating to its December 19, 2019 grant of options to directors and officers.

**Proposed Transaction**

None.

**Critical Accounting Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The Company's significant accounting judgments and estimates have been applied in these financial statements:

Judgements:
(i) The measurement of deferred income tax assets and liabilities.

Estimates:
(i) The evaluation of the Company's ability to continue as a going concern

**Changes in Accounting Polices**

The Company has not changed its accounting policies during the period ended March 31, 2020. A detailed summary of all the Company's significant accounting policies is included in Notes to the financial statements for the period ended March 31, 2020.

**Financial Instruments**

*Classification*

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

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At present, the Company classifies all financial assets as held at amortized cost.

*Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

*Financial liabilities*

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities, are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company includes fair value measurement disclosures as required under IFRS 7. These disclosures include the classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

| | |
|---|---|
| Cash | Fair value through profit or loss |
| Accounts payable and accrued liabilities | Financial liabilities measured at amortized cost |

As at March 31, 2020, the Company's financial instruments consist of cash and accounts payable. The Company believes that the carrying values of cash, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

- Level 1– fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. As of March 31, 2020, the Company's exposure to credit risk is minimal.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public or private equity offerings. Refer to Note 1 of the financial statements, Nature of Operations and Going Concern.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation; in addition, the Company carries no interest-bearing debt. As such, the Company has minimal market risks facing it at present.

## Disclosure of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value.

As at the date of this MD&A, the Company had 4,500,000 common shares, 250,000 agent's options, 450,000 stock options and no warrants outstanding.

## New accounting standards and interpretations

There were no new standards effective March 31, 2020 that had any impact on these financial statements or are expected to have a material effect in the future.

## Risks and Uncertainties

The Company's financial performance is likely to be subject to the following risks:

1. The Company has not commenced commercial operations, has no assets other than cash. The Company has no history of earnings, and will not generate earnings to pay dividends until at least after the completion of the Qualifying Transaction.

2. Until completion of the Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions.

3. The Company only has 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 or complete a suitable Qualifying Transaction.

4. If the Company fails to identify a business or assets that warrant acquisition or participation within the time limits set under the policies of the Exchange, the Exchange may de-list the Company's shares from trading.

5. If a Qualifying Transaction is completed, there can be no assurance that an active and liquid market for the Company's common shares will develop and investors may find it difficult to resell the common shares.

## Disclosure Controls and Procedures

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As the Company is a venture issuer, management does not make any representations in this regard, and the Company has inherent limitations in this regard that may result in additional risks relating to its filings and reporting.

## Forward-Looking Statements

This MD&A contains forward-looking statements. All statements, other than statements of historical fact, constitute "forward-looking statements" and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. All such forward-looking information and statements are based on certain assumptions and analyses made by the Company's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed, implied by or projected in the forward-looking information or statements. Important factors that could cause actual results to differ from these forward-looking statements include but are discussed in Risks and Uncertainties.

There can be no assurance that any forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader should not place any undue reliance on forward-looking information or statements. Except as required by law, the Company does not intend to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events.