

**Astron Connect Inc.**  
**Management's Discussion and Analysis**  
**For the Three Months ended December 31, 2019**

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This Management Discussion and Analysis ("MD&A") is prepared as at February 26, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes thereto of Astron Connect Inc. ("Astron" or the "Company" or "we" or "us") for the three months period ended December 31, 2019 as well as the audited consolidated financial statements and accompanying notes of the Company for the year ended September 30, 2019 and 2018. Unless otherwise indicated, all dollar amounts are in Canadian dollars. Additional information relevant to the Company activities can be located on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

This MD&A may contain certain forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees, and escalating transaction costs. Readers are cautioned not to place undue reliance on forward-looking statements, which are effective only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Actual results may differ materially and adversely from those expressed in any forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

### **Company History and Business Overview**

The Company was incorporated on February 20, 2017 under the Business Corporations Act (British Columbia) with one class of shares, being common shares ("Common Shares") without par value and was a capital pool company ("CPC") as defined by policy 2.4 (the "CPC Policy") of the TSX Venture Exchange ("Exchange").

On August 28, 2018, the Company completed its Qualifying Transaction (the "Transaction") to acquire and amalgamate with Sachiel Connect Inc. ("Sachiel Connect") which was approved by the Exchange. 1148535 B.C. Ltd, a wholly owned subsidiary of the Company, acquired all of the issued and outstanding securities of Sachiel Connect from its existing shareholders, and as consideration, the Company issued 29,099,992 common shares in the capital of the Company to the shareholders of Sachiel Connect.

On August 28, 2018, 1148535 B.C. Ltd. and Sachiel Connect were amalgamated as one company under the name Sachiel Holdings Ltd. ("Sachiel Holdings"). Sachiel Holdings remains a wholly owned subsidiary of the Company.

As a result of the Transaction, the former shareholders of Sachiel Connect acquired control of the Company. Therefore, the Transaction is considered as a reverse take-over. The Company has ceased to be a capital pool company since then. The consolidated financial statements of Astron represent a continuation of the business of Sachiel Connect.

The Company is engaged primarily in the business of distribution and sale of beverage and food products in Canada, China and Emerging markets.

The head office, principal address and registered office of the Company are located at 2300 - 666 Burrard Street, Vancouver, B.C., V6C 2X8.

### **Business Highlights**

- The Company undertook a private placement to raise up to \$1,500,000 through the issuance of units (shares + warrants) at a price of \$0.05 per unit. The offering was very successful and fully subscribed after just 4 days on December 15, 2019. The private placement was formally closed on January 10, 2020.

## **Overall Performance**

The following discussion of the Company's financial performance is based on the condensed interim consolidated financial statements for the three months period ended December 31, 2019 and 2018.

The condensed interim consolidated statements of financial position as of December 31, 2019 indicates a cash balance of \$2,581,550 (September 30, 2019 - \$1,320,643), trade and other receivables of \$58,980 (September 30, 2019 - \$54,291), inventory balance of \$154,810 (September 30, 2019 - \$132,395), prepaid expenses of \$83,456 (September 30, 2019 - \$125,711) and total current assets of \$2,878,796 (September 30, 2019 - \$1,633,040). The increase in total current assets was due mainly to the increase of cash resulting from the funds received from the private placement which closed subsequent to December 31, 2019

Current liabilities at December 31, 2019 totalled \$497,259 (September 30, 2019 - \$325,023). Shareholders' equity is comprised of share subscription of \$1,500,000, common share of \$6,006,234 (September 30, 2019 - \$6,006,234) and deficit of \$5,129,246 (September 30, 2019 - \$4,854,159).

Working capital (current assets less current liabilities) is \$2,381,537 (September 30, 2019 - \$1,308,017). Management believes that the Company has sufficient working capital to maintain the Company's day-to-day operations for at least the next twelve months.

During the three months period ended December 31, 2019, the Company reported a net loss of \$275,087 (2018- \$519,751). The decrease of the net loss is mainly due to the decrease operation expenses which was partially offset by decrease gross profit.

### Factors Concerning the Company's Financial Performance and Results of Operations

The key performance indicators for the Company are revenue growth, net income and cash flow.

The success of the Company to expand will be measured by revenue growth. Revenue growth will be dependent on the Company being able to penetrate new markets and gain new customers through acquisitions, and continued development of its production offerings.

Management believes that net income is a measure of how efficiently and effectively the business is running. The Company is in a period of expansion and growth. Therefore, selling and general administration costs will increase over the next twelve months as compared to fiscal 2019. To achieve an acceptable net income, management will need to balance the increase in selling and general administration costs and revenue growth. Net income is also viewed as an important measure for determining the value created for shareholders.

Management believes that in addition to revenue and net income, Cash flow from operations is an important measure to gauge utilization of cash resources

## **Results of Operation**

	<b>For the three months ended December 31</b>	
<b>Selected Operation information</b>	<b>2019</b>	<b>2018</b>
	\$	\$
Revenue	18,229	226,562
Gross profit	928	57,196
Operating expenses	279,819	578,891
Other income	3,804	1,944
Net loss	(275,087)	(519,751)
Basic and diluted EPS	(0.01)	(0.01)

<b>Selected Statement of Financial Position Information</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Total assets	3,507,864	1,866,927
Total non-current liabilities	227,039	-

For further financial information, please refer to the unaudited condensed interim consolidated financial statements.

#### *Revenue*

Revenue decreased to \$18,229 for the three months ended December 31, 2019, compared to \$226,562 in the same period in 2018. The decrease in revenue is due to the Company experiencing a slower demand for water and honey products.

#### *Cost of sales*

The cost of sales represents the production costs and shipping expenses. Cost of inventory is recognized as an expense to cost of sales when inventory is sold.

Gross profit decreased to \$928 for the three months ended December 31, 2019, compared to \$57,196 in the same period in 2019. The decrease in gross profit is due to the sales decreased in first quarter of 2020.

Gross margin also decreased to 5% for the three months ended December 31, 2019, compared to 25% in the same period in 2019. This decrease in gross margin is due to the reduction in high margin honey sales.

#### *Operating Expenses*

	<b>For the three months ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Advertising and promotion expenses	7,668	34,962
Amortization	20,572	20,571
Consulting expenses	15,500	72,019
Director fees	18,000	41,250
Filing expenses	9,439	5,681
Meeting and conference expense	11,763	44,056
Office expenses	39,715	51,435
Professional fees	7,873	20,000
Rental expenses	31,914	60,722
Salary and benefits	100,201	165,716
Selling and distribution expenses	425	13,336
Stock based compensation	16,749	49,143
	279,819	578,891

Total operating expenses decreased by \$299,072 for the three months ended December 31, 2019, compared to the same period in 2018, primarily due to Management's decision to reduce advertising and promotion expenses, consulting fee, rental expenses, salary and benefits. The main fluctuations in operating expenses are as follows:

#### Advertising and promotion expenses

Advertising and promotion expenses decreased by \$27,294 for the period ended December 31, 2019, compared to the same period in 2018, primarily due to Management's decision to reduce advertising promotion expenses until the new products are ready to be launched.

#### Consulting expenses

Consulting expenses decreased by \$56,519 for the period ended December 31, 2019, compared to the same period in 2018, primarily due to the one of consulting service completed in year 2019.

#### Meeting and conference expense

Meeting and conference expenses decreased by \$32,293 for the period ended December 31, 2019, compared to the same period in 2018, primarily due to Management reducing the amount of the meeting and conference expenses until the new products are ready to be launched.

#### Office expenses

Office expenses decreased by \$11,720 for the period ended December 31, 2019, compared to the same period in 2018, primarily due to Management's decision to reduce overhead costs.

#### Rental expenses

Rental expenses decreased by \$28,808 for the period ended December 31, 2019, compared to the same period in 2018, primarily due to the Company subleasing a portion of head office and warehouse space.

#### Salary and benefits

Salaries and benefits decreased by \$65,515 for the period ended December 31, 2019, compared with the same period in 2018, primarily due to a reduced headcount and a significant reduction in management salaries.

#### Stock based compensation

Share based compensation decreased by \$32,394 for the period ended December 31, 2019, compared to the same period in 2018, which was due to the fair value of unvested stock options decreased and some options forfeited.

#### *Other Income*

Other income for the period ended December 31, 2019 was \$3,804 (2018-\$1994) was primarily attributed to interest income.

#### *Net Loss*

Net loss was \$275,087 for the period ended December 31, 2019 compare to \$519,751 for the same period in 2018. The decrease was primarily due to the decreased operating expenses as noted above.

#### **Summary of Quarterly Results**

	December 31 2019 \$	September 30 2019 \$	June 30 2019 \$	March 31 2019 \$
Total Revenues	18,229	52,589	321,974	675,350
Gross profit	928	31,134	28,774	118,718
Net income (loss)	(275,087)	(461,542)	(387,114)	(388,045)
Loss per Share	(0.01)	(0.01)	(0.01)	(0.01)

  

	December 31 2018 \$	September 30 2018 \$	June 30 2018 \$	March 31 2018 \$
Total Revenues	226,562	731,819	112,247	-
Gross profit	57,196	135,282	24,287	-
Net income (loss)	(519,749)	(1,963,192)	(179,143)	(250,550)
Loss per Share	(0.01)	(0.08)	(0.04)	(0.07)

#### **Liquidity and Capital Resources**

As at December 31, 2019, the Company had cash of \$2,581,550 and working capital of \$2,381,537 compared with cash of \$1,320,643 and working capital of \$1,308,017 at September 30, 2019. The increase was mainly due to the cash received from the private placement of \$1,500,000.

The following tables detail the remaining contractual maturities at the respective reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

<b>Contractual obligations</b>	<b>Payments Due by Period</b>			
	Total \$	Year \$	1-3 years \$	4-5 years \$
Accounts payable and accrued liabilities	74,592	74,592	-	-
Lease liabilities	432,433	205,394	227,039	-
<b>Total contractual obligations</b>	<b>507,025</b>	<b>279,986</b>	<b>227,039</b>	<b>-</b>

The nature of the Company's current business is the sale of beverage and food products in China and emerging markets. However, future inflows of cash are dependent on actions by management achieving profitable operations and raising additional capital. Management believes, should it be necessary, it will be able to raise equity capital as required in the long-term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been

met by equity and debt. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable. If the Company is unable to achieve profitable operations or raise any additional funds it may require, it could have a material adverse effect on its financial condition.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed during the period. These objectives and strategies are reviewed on a continuous basis.

### Financing Activities

Subsequent to December 31, 2019, the Company closed a non-brokered private placement, consisting of 30,000,000 units at a price of \$0.05 per unit (the "Units") for aggregate proceeds of \$1,500,000 (the "Private Placement"). Each Unit consists of one common share of the Company and one transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one common share at an exercise price of \$0.05 for a period of one year from the date of closing of the Private Placement. Finder's fees consisting of a total of 1,500,000 non-transferable units (the "Finder's Units") have been paid in connection with the Private Placement. The Finder's Units have the same terms as the Units except that they are non-transferable. All of the above securities are subject to a statutory hold period expiring May 11, 2020.

### Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### Transactions with Related Parties

The directors and executive officers of the Company are as follows:

S. Randall Smallbone	Chief Executive Officer and Director
Iris Duan	Director
Wei Kang	VP Finance and Director
Fei Chu	Director
Ian Mallmann	Chief Financial Officer
Bei Nie	Chief Operating Officer and Director

The following expenses were paid to key management personnel and directors of the Company:

	2019	2018
	\$	\$
<i>Transactions:</i>		
Salaries and benefits	55,500	96,249
Stock based compensation	9,152	24,244
<i>Balances:</i>		
Amounts owing to a director and officer*	-	-

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the estimated fair value amount, which is the amount of consideration established and agreed to by the related party.

### Critical Accounting Estimates and Changes in Accounting Policies

All significant critical accounting estimates and change in accounting policies are fully disclosed in Note 3 of the unaudited condensed interim consolidated financial statements for the period ended December 31, 2019.

### Financial Instruments and Financial Risk

#### Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - 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 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents, trade and other receivables (excluding GST), accounts payable and accrued liabilities and due to related party approximates their carrying values as at the reporting date due to the short-term maturities of these instruments.

Financial assets	Categories	December 31, 2019	September 30, 2019
		\$	\$
Cash and cash equivalents	FVTPL	2,581,550	1,320,643
Trade and other receivables (exclude GST)	Amortized cost	24,897	23,586
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	74,591	93,645

#### Financial risk management objectives and policies

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

a) Currency risk

The Company generates revenues and incurs expenses primarily in Canada and China and is exposed to risk from changes in foreign currency exchange rates. In addition, the Company holds financial assets and liabilities in foreign currencies that expose the Company to foreign exchange risk. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

At December 31, 2019, the Company had cash of \$415 (2019-\$415), trade and other receivables of \$3,608 (2019-\$3,608), and accounts payable and other payable of \$17,620 (2019-\$17,620), which are denominated in US dollars. For the period ended December 31, 2019, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US dollars by 10% will increase or decrease comprehensive loss by approximately \$1,800 (2019-\$2,753).

b) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on cash equivalents is insignificant, as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

c) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade and other receivables. The Company limits its exposure to credit risk on cash and cash equivalents by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables, as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and the consolidated financial statements take into account an allowance for bad debts.

There were no overdue trade receivables outstanding as at December 31, 2019 and 2018.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2019, the Company had a working capital of \$2,381,537 (2019- \$1,308,016). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

### Summary of Outstanding Share Data

As at the date of this report, the Company's share capital is as follows:

- Authorized: Unlimited common voting shares without nominal or par value.
- Issued and outstanding 50,803,211 common shares

As at the date of this report, the Company's stock option is as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, September 30, 2017	-	-
Deemed granted option on RTO	400,000	0.22
Options granted	2,050,000	0.30
Balance, September 30, 2018	2,450,000	0.29
Options forfeited or cancelled	(220,000)	0.30
Balance, December 31 and September 30, 2019	2,230,000	0.29

As at the date of this report, the Company's warrant is as follows:

	Number of warrants	Weighted average Exercise price	Weighted average Years to expiry
Balance, September 30, 2018	423,395	\$ 0.12	1.18
Balance, September 30, 2019	423,395	\$ 0.12	0.11
Expired	(350,000)	\$0.10	-
Balance, December 31, 2019	73,395	\$ 0.22	0.66

## **Risk Uncertainties**

### ***We have a limited operating history.***

Our limited operating history makes it difficult to evaluate our business and prospects and may increase the risks associated with your investment. We were incorporated in 2016 and, as a result, have only a limited operating history upon which our business and future prospects may be evaluated. Although we believe we will experience substantial revenue growth, we may not be able to reach the expected rate of growth or even maintain our current revenue levels.

We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges related to recruiting, integrating and retaining qualified employees; making effective use of our limited resources; achieving market acceptance of our existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers. Our current operational infrastructure may require changes for us to scale our business efficiently and effectively to keep pace with demand for our solutions, and achieve long-term profitability. If we fail to implement these changes on a timely basis or are unable to implement them effectively, or at all due to factors beyond our control, our business may suffer. We cannot assure you that we will be successful in addressing these and other challenges we may face in the future.

### ***Our business is at an early stage of commercialization,***

We are still at an early stage of commercialization. There can be no assurance that we will meet its objectives. As in any early stage development company, there is no assurance that our business will be successful.

### ***We have incurred losses and may continue to incur losses.***

Our operating results have fluctuated significantly in the past from quarter to quarter and may continue to do so in the future. In addition, we have experienced net losses since we have commenced our business operation, and such losses may very well continue

You should not rely on the results for any particular period as an indication of our future performance. It is possible that, in future periods, our results of operations may be below the expectations of public market analysts and investors. Fluctuations in our quarterly operating results or our inability to achieve or maintain profitability may cause volatility in the price of our common stock in the public market.

### ***We are subject to global trade sentiments.***

Our operations are dependent on the trade sentiment between Canada and the destination markets. As such this is an externality that we as a company cannot address directly.

***We may not be able to engage and retain sufficient buyers to drive revenue growth.***

If we are unable to attract significant numbers of new buyers and increase levels of engagement, our ability to maintain or grow our business would be materially and adversely affected. We may not be able to successfully monetize traffic on our platform, which could have a material adverse effect on our business. An increasing percentage of our users are accessing our marketplaces through mobile devices, a trend that we expect to continue. Our ability to monetize our mobile user traffic is critical to our business and our growth.

***We may not be able to maintain or grow our revenue or business.***

Potential changes in our strategy for monetizing our wholesale marketplaces could result in prolonged reductions in revenue from those marketplaces. In addition, our revenue growth may slow or our revenues may decline for other reasons, including decreasing consumer spending, increasing competition, slowing growth of the China retail or China online retail industry, changes in government policies or general economic conditions. In addition, our revenue growth rate will likely decline as our revenue grows to higher levels.

***We are dependent on key personnel.***

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business. Our future success is significantly dependent upon the continued service of our key executives and other key employees. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth.

The size and scope of our ecosystem also require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels as we expand our business and operations. Competition for talent is intense, and the availability of suitable and qualified candidates is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there is no assurance that these individuals will choose to join or continue to work for us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

***We are subject to changes general economic conditions***

The markets in which we operate are affected by changes in general economic conditions, including China's marketplace and emerging markets, and political and economic conditions, international, national, regional and local economic conditions, all of which are outside of our control. Economic slowdowns, cyclical trends, increases in interest rates and other factors could have a material adverse effect on our financial performance and financial condition.

***We are subject to governmental regulation.***

China and emerging markets government regulation can affect us. Failures to comply with applicable and new emerging regulatory requirements can, among other things, result in fines, suspension of regulatory approvals, seizures, operating restrictions and criminal prosecutions. All of the foregoing regulatory matters will also be applicable to development and marketing undertaken by any collaborative partners.

***Our research and market development may not prove to be profitable.***

There can be no assurances that our research and market development activities will prove profitable.