

Spitfyre Capital Inc.
(A Capital Pool Company)
Management's Discussion and
Analysis
*For the Period from the Date of
Incorporation (June 24, 2021) to
December 31, 2021*

April 29, 2022

Spitfyre Capital Inc.
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For the Period from the Date of Incorporation
(June 24, 2021) to December 31, 2021

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Corporation's financial statements and notes thereto for the period from the date of incorporation (June 24, 2021) to December 31, 2021. Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

This MD&A was prepared by management of Spitfyre Capital Inc. ("the Corporation") and was approved by the board of directors of the Corporation on April 29, 2022. All amounts are in Canadian dollars unless otherwise stated.

This MD&A is dated April 29, 2022 and is in respect of the period from the date of incorporation (June 24, 2021) to December 31, 2021.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", and similar words and phrases, used by any of the Corporation's management, are intended to identify forward-looking statements. Such statements reflect the Corporation's forecasts, estimates and expectations, as they relate to the Corporation's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made as at the date of this MD&A and the Corporation does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Description of the Business

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on June 24, 2021 and is in the process of applying for status as a Capital Pool Company as defined under Policy 2.4 – *Capital Pool Companies* ("Policy 2.4") of the TSX Venture Exchange (the "Exchange"). The Corporation has no assets other than cash. The Corporation proposes to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to regulatory and, if required, shareholders' approval.

The Corporation's registered head office is located at 100 King Street West, Suite 1600, Toronto, Ontario, Canada, M5X 1G5.

Selected Financial Information

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on June 24, 2021 and was not yet a reporting issuer pursuant to applicable securities legislation until December 24, 2021, the date of the final receipt for its final prospectus dated December 23, 2021, as issued by the Ontario, Alberta and British Columbia Securities Commissions, thereby becoming a reporting issuer in each of the provinces of Ontario, Alberta and British Columbia. December 31 is the date of its fiscal year end.

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The following selected financial data is derived from the financial statements of the Corporation prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Selected Statement of Financial Position Data

	As at December 31, 2021
Net working capital	\$ 377,012
Total current assets	436,675
Total current liabilities	59,663
Total shareholders' equity	446,500

Selected Statement of Operations Data

	<u>For the Period from the Date of Incorporation (June 24, 2021) to December 31, 2021</u>	
Expenses	\$	69,488
Net loss for the period	\$	69,488
Basic loss per share	\$	(0.02)

The Corporation does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition. For the period ended December 31, 2021, the Corporation declared no cash dividends.

Liquidity, Capital Resources, and Outlook

As at December 31, 2021, the Corporation had net working capital of \$377,012 and cash of \$436,675. Management believes that it has sufficient cash to meet its ongoing obligations prior to completion of its initial public offering (the "IPO") and upon closing of the IPO, if completed, sufficient further resources to be able to identify, evaluate and complete a Qualifying Transaction as defined under Policy 2.4 of the Exchange.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2021.

Critical Accounting Estimates and Policies

The Corporation's significant accounting policies and the adoption of new accounting policies are disclosed in the audited financial statements for the period ended December 31, 2021.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values, as applicable.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Corporation:

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	4,500,000 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares	Nil
	Agent's options to acquire up to 10% of the common shares issued in connection with the initial public offering	Nil
Voting or equity securities issuable on conversion or exchange of outstanding securities	as above	as above

Risks and Uncertainties

The Corporation has a limited history of existence. There can be no assurance that a Qualifying Transaction will be completed. Equity or debt financing may be required to complete a Qualifying Transaction. There can be no assurance that the Corporation will be able to obtain adequate financing to continue. The securities of the Corporation should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Corporation's securities:

- a) The Corporation faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its ability to complete a Qualifying Transaction on a timely basis, or at all, and adversely effect its financial condition. The Corporation's business could be adversely impacted by the effects of the COVID-19 pandemic or other epidemics and/or pandemics. In December 2019, COVID-19 emerged in China and the virus has now spread with infections having been reported globally. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent to which COVID-19 impacts the Corporation's ability to complete a Qualifying Transaction on a timely basis, or at all, and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic (including recommendations from public health officials). In addition, the COVID-19 pandemic represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Corporation and its ability to complete a Qualifying Transaction in a timely manner, or at all.
- b) The Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction (see "*Description of the Business*").
- c) Investment in the common shares of the Corporation ("Common Shares") is highly speculative given the proposed nature of the Corporation's business and its present stage of development.
- d) The directors and officers of the Corporation will devote only a portion of their time to the business and affairs of the Corporation 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.
- e) Assuming completion of the IPO, an investor will suffer an immediate dilution to its investment.
- f) There is no market through which the Common Shares may be sold and purchasers may not be able to resell the Common Shares purchased under the IPO. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation.

- g) There can be no assurance that an active and liquid market for the Common Shares will develop and an investor may find it difficult to resell its Common Shares.
- h) Until completion of the Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. (See "*Description of the Business*").
- i) The Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction (see "*Description of the Business*").
- j) Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction (see "*Description of the Business*").
- k) Completion of the Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval (as such terms are defined in Policy 2.4 of the Exchange). (See "*Description of the Business*".)
- l) Unless a shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the Common Shares.
- m) Upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares will be halted and will remain halted for an indefinite period of time, typically until a Sponsor (as such term is defined in Policy 2.4 of the Exchange) has been retained and certain preliminary reviews have been conducted. The Common Shares may be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction (see "*Description of the Business*").
- n) Trading in the Common Shares may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required.
- o) Neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction.
- p) The Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Corporation.

- q) In the event that the management of the Corporation resides outside of Canada or the Corporation 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.
- r) Subject to prior Exchange acceptance, the Corporation may be permitted to loan or advance up to an aggregate of \$225,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan.

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

During the period ended December 31, 2021, 2,900,000 Common Shares were issued at a price of \$0.10 per Common Share to directors and officers of the Corporation for gross proceeds of \$290,000.

There was no remuneration paid to key management personnel during the period ended December 31, 2021 and no other related party transactions have occurred during this period.

Proposed Transactions

On December 23, 2021, the Corporation filed a final prospectus to offer to sell and issue a minimum of 1,125,000 Common Shares and a maximum of 1,250,000 Common Shares at a price of \$0.20 per Common Share for minimum aggregate gross proceeds of \$225,000 and maximum aggregate gross proceeds of \$250,000. The Corporation has entered into an agency agreement with Hampton Securities Limited (the "Agent") to raise gross proceeds of \$225,000 to \$250,000 in connection with the IPO. The Corporation has agreed to pay a commission of 10% of the gross proceeds of the IPO to the Agent and to grant compensation warrants ("Compensation Warrants") to the Agent and its sub-agents, if any, which will entitle the holder thereof to purchase up to that number of Common Shares that is equal to 10% of the Common Shares issued pursuant to the IPO at a price of \$0.20 per Common Share, exercisable for a period ending 36 months from the date the Common Shares are listed on the Exchange. Pursuant to Policy 2.4 of the Exchange, no more than 50% of the aggregate number of Common Shares that may be acquired pursuant to the Compensation Warrants may be sold prior to the completion of the Qualifying Transaction and the remaining 50% may only be sold after completion of the Qualifying Transaction. In addition, the Corporation is required to reimburse the Agent for legal fees (up to a maximum of \$15,000 plus taxes and disbursements) and other reasonable expenses incurred by the Agent pursuant to the IPO. The Corporation has not yet completed the IPO. There is no assurance that the IPO will be completed in the manner described, on the expected timeline, or at all.

Other Information

The policies of the TSX Venture Exchange prohibit Capital Pool Companies from carrying on formal investor relations activities. Corporate communications and investor inquiries are handled by the board of directors of the Corporation. Additional information about the Corporation is available on SEDAR at www.sedar.com.