

SAGITTARIUS CAPITAL CORPORATION
(A Capital Pool Corporation)

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

April 25, 2017

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with, the audited financial statements for the years ended December 31, 2016 and 2015 of Sagittarius Capital Corporation ("Sagittarius" or the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canada. All monetary amounts are expressed in Canadian dollars.

FORWARD-LOOKING INFORMATION

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared, but cautions the reader that actual results could differ materially from those anticipated.

General Overview

Sagittarius Capital Corporation ("Sagittarius" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on April 20, 2007 and is classified as a Capital Pool Corporation as defined in CPC Policy. Sagittarius has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in the CPC Policy.

In the opinion of management, all adjustments consisting of normal recurring adjustments, considered necessary for a fair presentation of Sagittarius' financial position, results of operations, and cash flows, have been included. Sagittarius has not commenced active business operations and, therefore, no segmented information is available.

Recent Developments

On May 5, 2016 the Company announced that it is not proceeding with the Letter of Intent with AMR Minerals Metals dated June 28, 2013 as its Qualifying Transaction ("QT"). The Company is currently seeking alternative QT targets.

Selected Audited Information

Summarized selected financial information with respect to Sagittarius for the audited years ended December 31, 2016, 2015 and 2014 is as follows:

For the years ended,	December 31, 2016	December 31, 2015	December 31, 2014
	\$	\$	\$
Total expenses	\$25,858	\$16,291	42,615
Interest income	-	(136)	(451)
Net loss	(25,858)	(16,155)	(42,164)
Loss per share	(0.007)	(0.004)	(0.011)
Total assets	2,610	4,513	50,629
Total liabilities	34,131	10,176	40,137
Shareholders' (deficiency) equity	(31,521)	(5,663)	10,492
Cash dividends declared	-	-	-

Results of Operations

Three months ended December 31, 2016 and 2015

Sagittarius recorded a loss of \$5,693 during the three months ended December 31, 2016 compared to \$2,514 during the comparative period in the prior year.

During the three months ended December 31, 2016, Sagittarius incurred professional fees of \$4,385 representing accounting fees associated with its operations compared to \$1,209 during the comparative period in the prior year. Filing fees and office and general expenses were \$1,250 (2015 - \$1,250) and \$57 (2015 - \$55), respectively.

The Company earned interest income of \$nil (2015 - \$nil) during the three months ended December 31, 2016.

Loss per share during for the three months ended December 31, 2016 was \$0.002 compared to \$0.001 for the same period in 2015.

Year ended December 31, 2016 compared to 2015

Sagittarius recorded a loss of \$25,858 during the year ended December 31, 2016 compared to \$16,155 during the comparative year.

During the year ended December 31, 2016, Sagittarius incurred professional fees of \$17,836 representing legal and accounting fees associated with its operations compared to \$9,839 during the comparative year. The increase in professional fees was due to legal fees. Legal fees totaled \$7,057 compared to \$(5,890) in 2015.

Filing fees and office and general expenses were \$7,643 (2015 - \$6,231) and \$379 (2015 - \$221), respectively.

The Company earned interest income of \$nil (2015 - \$136) during the year ended December 31, 2016.

Loss per share during for the year ended December 31, 2016 was \$0.007 compared to \$0.004 for the same period in 2015.

Summary of Quarterly Results

The following table presents selected financial data of Sagittarius for its last eight quarters as reported in the particular period:

Period:	Net profit (loss):	Profit (loss) per share:
2016 4Q	(5,693)	(0.002)
2016 3Q	(3,956)	(0.001)
2016 2Q	(7,329)	(0.002)
2016 1Q	(8,880)	(0.002)
2015 4Q	(2,514)	(0.001)
2015 3Q	(3,055)	(0.001)
2015 2Q	(6,772)	(0.002)
2015 1Q	(3,814)	(0.001)

Liquidity

At December 31, 2016, Sagittarius had \$1,291 (2015 - \$4,025) in cash and HST of \$1,319 (2015 - \$488). The net decline is associated with normal business expenditures incurred as a result of maintaining public company status.

Total liabilities were \$34,131 at December 31, 2016, compared to \$10,176 at December 31, 2015. The increase is primarily attributable to legal fees and the accrual of such costs, primarily as a result of costs incurred in the prior year.

Shareholders' deficiency increased from \$(5,663) on December 31, 2015 to \$(31,521) on December 31, 2016 as a result of the net loss incurred of \$25,858 during the year ended December 31, 2016.

The Company is looking for the Qualifying Transaction targets and identifying other sources of financing to remain as a going concern entity.

Capital Resources

Sagittarius financed operations during the year ended December 31, 2016 through the remaining net cash proceeds of the initial public offering.

Cash from the initial public offering has been primarily used to pursue a proposed qualifying transaction.

Off-Balance-Sheet Arrangements

As of December 31, 2016, Sagittarius had no off-balance-sheet arrangements.

Related-Party Transactions

During the year ended December 31, 2016, the Company incurred accounting fees of \$10,000 (2015 - \$10,500) to Branson Corporate Services, a Company in which a related director has a non-controlling indirect interest. The Company also accrued legal fees and disbursements of \$7,057 (2015 – recovery of \$5,075) to Fogler, Rubinoff LLP, a law firm in which a director of the Company is a Partner. As of December 31, 2016, \$11,300 (2015 - \$2,500) is owing to Branson, \$2,643 (2015 - \$nil) is owing to a director and \$5,075 (2015 - \$815) is owing to Fogler, Rubinoff LLP.

There was no remuneration paid to directors and key management personnel during the years ended December 31, 2016 and December 31, 2015.

Share Capital

As at December 31, 2016, Sagittarius had authorized unlimited common shares without par value and had issued 4,190,000 common shares. During fiscal 2010, the Company cancelled 500,000 common shares held by current and former directors of the Company as a result of not consummating a qualifying transaction within the prescribed period of time allowed under TSX Venture Exchange rules. Additionally, as of December 31, 2016, there are no options issued and outstanding.

Financial Instruments and Other Instruments

Sagittarius' financial instruments consist of cash and accounts payable and accrued liabilities. It is management's opinion that Sagittarius is not exposed to significant credit risks arising from these financial instruments and that the carrying value of these financial instruments approximates fair values due to the relatively short term maturities of these instruments.

Cash Restriction

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until Completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange. As of December 31, 2016, the Company had exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

Critical Accounting Estimates

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The critical accounting policies followed by the Company are as follows:

Accounting estimates and judgments

The preparation of the Company's financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in the Company's financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of the Company's financial statements include, among others, the recoverability of accounts receivable, and the fair value of financial assets and liabilities. Actual results may differ from those estimates.

Financial instruments

Financial Assets

Financial Assets are classified into one of four categories:

- 1) Fair Value through profit or loss ("FVTPL");
- 2) Held-to-Maturity ("HTM");
- 3) Loans and receivables; and
- 4) Available for sale ("AFS")

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes, are recognized in profit or loss. Cash and cash equivalents are classified as FVTPL.

Held to Maturity (“HTM”)

Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held-to-maturity financial instruments are included in the underlying balance. No financial assets were classified as held to maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivables financial instruments are included in the underlying balance. No financial liabilities are classified as loans and receivable.

Available for sale (“AFS”)

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income, except for investments in equity instruments that do not have a quoted market price in an active market which should be measured at cost. Transaction costs incurred to acquire available-for-sale financial instruments are included in the underlying balance. When there is objective evidence of impairment, the cumulative loss included in accumulated other comprehensive income is removed and recognized in net income. Gains and losses realized on disposal of available-for-sale securities are recognized in net income. No financial assets were classified as available-for-sale.

Financial Liabilities

Financial Liabilities are classified into one of two categories:

- 1) Fair Value through profit or loss; and
- 2) Other financial liabilities

Financial liabilities at fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of operations and comprehensive loss. No financial liabilities were classified at fair value through the profit or loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost. The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other financial liabilities.

Share-based compensation

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Changes in Accounting Policies

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Financial Instruments and Financial Risk Management

The Company is exposed to different types of risks in the normal course of operations, including credit risk and liquidity risk as follows:

a) Fair value

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

b) Credit risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. The Company continually evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

The Company manages the credit exposure related to cash and cash equivalents of \$1,291 as at December 31, 2016 by making sure that the Company maintains bank accounts with Schedule 1 banks in Canada.

The carrying amount of cash and cash equivalents represents the maximum credit exposure.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. All of the Company's accounts payable and accrued liabilities are due within one year.

Outlook

The Company is considering potential Qualifying Transactions.