
Scaling Capital 1 Corp.

(A Capital Pool Company)

Management Discussion & Analysis

For the Year Ended December 31, 2022 and for the Period from
November 1, 2021 (Date of Incorporation) to December 31, 2021

(Stated in Canadian Dollars)

Scaling Capital 1 Corp.

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Form 51-102F1

The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Scaling Capital 1 Corp. (the “**Corporation**”) should be read in conjunction with the audited financial statements of the Corporation for the year ended December 31, 2022 and for the Period from November 1, 2021 (Date of Incorporation) to December 31, 2021 (the “**Financial Statements**”). The Financial Statements, including the comparative figures, were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. Unless otherwise noted, all dollar amounts are in Canadian dollars.

The information in this MD&A is current as of May 1, 2023, unless otherwise noted.

Additional information regarding the Corporation, including the Financial Statements, news releases, and other disclosure items, is available under the Corporation’s profile on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements and information contained in this MD&A may constitute forward-looking information under applicable securities laws. All statements and information other than statements of historical fact or historical information may be forward-looking information. Forward-looking information typically contains statements with words such as “expect”, “intend”, “estimate”, “will”, “anticipated”, or similar words, including negatives thereof, suggesting future outcomes or statements regarding an outlook. The forward-looking information is based on a number of factors, expectations and assumptions which have been used to develop such information, and which may prove to be incorrect. Although the Corporation believes that the factors, expectations, and assumptions on which the forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Corporation can give no assurances that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent known and unknown risks and uncertainties which are beyond the control of the Corporation. The Corporation’s actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information due to a number of factors and risks. Accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom. The forward-looking information included in this MD&A is made as of the date hereof and the Corporation does not undertake an obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise, except as required by applicable law.

The Corporation

The Corporation was incorporated under the *Business Corporations Act* (Alberta) on November 1, 2021 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “**Exchange**”) Corporate Finance Manual (the “**Manual**”).

The head office and the registered office of the Corporation is located at 800 - 333 7 Ave SW, Calgary, Alberta, T2P 2Z1.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as such term is defined in the Manual. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders. The Corporation has not commenced commercial operations and has no assets other than a minimum amount of cash.

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Pursuant to the Manual, the proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction.

Summary of Quarterly Financial Results with Selected Financial Information

Quarter Ended	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	\$0	\$0	\$0	\$0	\$0
Net and comprehensive loss	\$(21,735)	\$0	\$(5,000)	\$0	\$(15,612)
Basic and diluted loss per share	\$0.00	\$0.00	\$(0.00)	\$0.00	\$(0.00)

For the three months ended December 31, 2022, the Corporation earned no revenues and incurred \$21,735 in operating expenses.

Statement of Loss and Comprehensive Loss

Expenses	2022	2021
Professional fees	\$ 26,735	15,612
Total Expenses	26,735	15,612
Net loss and comprehensive loss	\$ (26,735)	(15,612)
Net loss per share (note 8)		
Basic and diluted	\$ (0.00)	(0.00)

Discussion of Operations

Revenue

For the three and twelve months ended December 31, 2022, the Corporation earned \$0 in revenue.

Operating Expenses

For the three months ended December 31, 2022, the Corporation incurred \$21,735 in operating expenses.

For the twelve months ended December 31, 2022, the Corporation incurred \$26,735. This compares to \$15,612 in professional fees from incorporation to December 31, 2021. The difference is mainly due to audit fees related to the filing of the Corporation's capital pool company prospectus.

Net loss and comprehensive loss

For the three months ended December 31, 2022, the Corporation reported a net loss and comprehensive loss of \$21,735.

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For the twelve months ended December 31, 2022, the Corporation reported a net loss and comprehensive loss of \$26,735.

Statement of Financial Position

*As at December 31
(in Canadian Dollars)*

		2022		2021
Assets				
Current				
Cash	\$	611,757	\$	625,000
Deferred share issue costs		56,743		-
Total Assets	\$	668,500	\$	625,000
Liabilities				
Current				
Accrued liabilities	\$	85,847	\$	15,612
Total Liabilities	\$	85,847	\$	15,612
Shareholders' Equity				
Share capital (note 5)	\$	625,000	\$	625,000
Deficit		(42,347)		(15,612)
Total Shareholders' Equity	\$	582,653	\$	609,388
Total Liabilities and Shareholders' Equity	\$	668,500	\$	625,000

As at December 31, 2022, the Corporation had total assets of \$668,500 (December 31, 2021 - \$625,000). The increase of total assets was the result of the deferred share issuance costs for the initial public offering.

As at December 31, 2022, the Corporation had total liabilities of \$85,847 (December 31, 2021 - \$15,612). The increase in total liabilities was the result of professional fees and deferred share issuance costs during the period.

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Share Capital

a) Authorized and issued

The Corporation is authorized to issue an unlimited number of Common Shares (as defined in the Financial Statements).

Issued and outstanding Common shares	Number	Amount (\$)
Issuance of Common shares – November 1, 2021	12,500,000	625,000
Balance, December 31, 2022	12,500,000	625,000

b) Stock Options

The Corporation has adopted an incentive stock option plan in accordance with the policies of the Exchange (the "Stock Option Plan") for the benefit of directors and officers, and where permitted pursuant to Exchange policies, employees, and consultants of the Corporation. A maximum of ten percent (10%) of the issued and outstanding common shares of the Corporation upon completion of the initial public offering may be reserved for issuance pursuant to the exercise of stock options to be granted to directors and officers, and where permitted pursuant to Exchange policies, employees and consultants of the Corporation. In addition, subject to the policies of the Exchange, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) and for consultants and employees conducting investor relations activities, shall not exceed two percent (2%) of the issued and outstanding common shares. The Stock Option Plan provides that the terms of the options and the option price shall be fixed by the directors, subject to the price restrictions and other requirements imposed by TSX Venture.

Stock options granted under the Stock Option Plan may not be exercisable for a period longer than ten (10) years and the exercise price must be paid in full upon exercise of the option.

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Statement of Cash Flows

*For the year ended December 31, 2022 and for the Period from
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(in Canadian Dollars)*

	2022	2021
Operating activities		
Net loss for the period	\$ (26,735)	(15,612)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	13,492	15,612
Cash provided by (used in) operating activities	\$ (13,243)	-
Financing activities		
Issuance of Common shares net of issuance costs (note 5)	\$ -	625,000
Accounts payable and accrued liabilities	56,743	-
Deferred share issuance costs	(56,743)	-
Cash provided by (used in) financing activities	\$ -	625,000
Net change in cash	\$ (13,243)	625,000
Cash, beginning of period	625,000	-
Cash, end of period	\$ 611,757	625,000

For the year ended December 31, 2022, the Corporation's cash flows used in and provided by operating and financing activities netted to an outflow of \$13,243.

Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs, including general and administrative expenses incurred for the year ended December 31, 2022.

*For the year ended December 31, 2022
(in Canadian Dollars)*

Material Costs	
Deferred share issuance costs	\$56,743
Professional fees	26,735
Total	\$83,478

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Off-Balance Sheet Arrangements

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements.

Significant Accounting Policies

The Corporation's significant accounting policies are summarized in Note 3 of the Financial Statements. There were no critical accounting policy estimates or changes in accounting policies during the year ended December 31, 2022.

Financial instruments

The Corporation's financial instruments consist of cash and accounts payable. Cash is classified as an asset at amortized cost. Accrued expenses are classified as a liability at amortized cost.

Related Party Transactions

The Corporation's key management personnel include Directors and Officers with the responsibility of planning, directing and controlling activities of the Corporation. The Corporation's management includes its shareholders, who are also employees and controlling shareholders of a non-arms length entity – Ninepoint Partners LP. The Corporation did not pay any compensation to its key management personnel during the year.

Related Party Balances

Related party balances relate to professional services fees paid by Ninepoint Partners LP on behalf of the Corporation. All balances are non-interest bearing and carry no specific terms of repayment. Related party payables as at December 31, 2022 were \$31,322.

Liquidity and Capital Management

The Corporation's objective when managing capital is to maintain adequate cash resources to support planned activities which include identifying and evaluating potential acquisitions. The Corporation includes shareholders' equity of \$582,653 in the definition of capital.

In managing capital, the Corporation estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities. Management believes it has sufficient cash to meet its ongoing operations and to be able to identify, evaluate, and complete a Qualifying Transaction.

The Corporation's plan is to raise capital through the issuance of additional common shares. There are no assurances that funds will be made available to the Corporation when required.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used to cover prescribed costs of issuing common shares or administrative and general expenses of the Corporation. These restrictions may apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

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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) until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- B) the Corporation has had no business activity and has not acquired any material assets since its incorporation other than cash;
- C) the Corporation does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction;
- D) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance the Corporation will be able to identify a suitable Qualifying Transaction;
- E) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
- F) 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, such dilution may be significant, and which may also result in a change of control of the Corporation;
- 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; and
- H) the Corporation competes with other Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial resources than the Corporation.

In addition, the Corporation is exposed to general risks faced by all businesses, including:

Financial risk

The Corporation's activities are exposed to a variety of financial risks: credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

Credit risk

Credit risk is the risk of loss associated with the counterparty's ability to fulfil its payment obligations. The Corporation is not susceptible to significant credit risk as cash is held at a major financial institution.

Liquidity risk

The Corporation's exposure to liquidity risk is dependent on purchasing commitments and obligations and ability to raise funds to meet commitments and sustain operations. As at December 31, 2022, the Corporation has cash of \$611,757 to settle financial liabilities of \$85,847.

Measurement Uncertainty

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates used in the financial statements. The Corporation does not have any significant estimates in its Financial Statements as of

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December 31, 2022.

Subsequent Event

On February 10, 2023, the Corporation completed a Canadian initial public offering (the "Offering") to raise gross proceeds of \$450,000 on the TSX Venture Exchange by issuing 4,500,000 common shares at a purchase price of \$0.10 per share. The proceeds of the Offering will be used by the Corporation, as a capital pool company, to fund its search for a Qualifying Transaction and in accordance with Exchange Policy 2.4.

The Corporation paid the Agent (Canaccord Genuity) a \$45,000 commission, issued an Agent's option to purchase 450,000 common shares, paid a Corporate Finance Fee of \$15,000, and reimbursed the legal fees and other reasonable expenses in relation to the Offering.

On February 10, 2023, directly following closing of the Offering, the Corporation issued to its directors and officers an aggregate of 1,700,000 options to purchase 1,700,000 common shares in the capital of the Corporation at an exercise price of \$0.10 per Common Share, expiring February 10, 2033.

Additional Information

Additional information about the Corporation can also be found on SEDAR.