

**WINDFIRE CAPITAL CORP.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**GENERAL**

Dated: April 27, 2017

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view regarding the past performance and future outlook of Windfire Capital Corp.'s (the "Company") past performance and future outlook. This report also provides information to improve the reader's understanding of the financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2016 (the "Financial Statements"). Additional information on the Company is available on SEDAR and at the Company's website, [www.windfirecapital.com](http://www.windfirecapital.com). All information contained in this MD&A is current as of the date of this report unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

**FORWARD LOOKING STATEMENTS**

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, or market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in this MD&A (See section titled "Risk and Uncertainties").

The forward looking statements contained herein are based on information available as of the date of this report.

## OVERVIEW

Windfire Capital Corp. was incorporated under the Business Corporations Act (Alberta) on December 10, 2007 and continued into British Columbia under the Business Corporation Act (British Columbia) in March 2016. The Company completed its Qualifying Transaction and began trading on the TSX-V on April 18, 2011 as a Tier 2 Mining Issuer. The common shares of the Company were halted from trading by the TSX-V Exchange (the “TSX-V”) until the Company could either engage a sponsor or obtain a sponsorship exemption in connection with a planned change of business, which did not occur. The Company resumed trading on March 10, 2015 and was halted in July 2015 in connection with its announcement that the Company had entered into an LOI with an arm’s length party to acquire a majority interest in an off-shore petroleum exploration license located in Namibia.

In March 2015, the Company did not meet the continued listing requirements of a Tier 2 Mining Issuer. Therefore, as part of the resumption to trading, the Company’s listing had been transferred to NEX and currently trades under the symbol, “WIF.H”.

On July 20, 2015, the Company entered into a letter of intent with DMiner Asset Management Inc. (“DMiner”) to acquire a majority interest in an off-shore petroleum exploration license with drill ready oil and gas targets in Namibia. Upon completion of this transaction, the Company would be a Tier 2 Oil and Gas Issuer (refer to the “Proposed Transaction” section for further details).

In April 2016, the Company entered into a share purchase agreement with DMiner. The transaction was cancelled subsequent to the year ended December 31, 2016 (refer to the “Proposed Transaction” section for further details).

## PROPOSED TRANSACTION

In July 2015, the Company signed a LOI with DMiner to acquire a majority interest in an off-shore petroleum exploration license with drill ready oil and gas targets in the Orange Basin of Namibia. Pursuant to the LOI, the Company would acquire 91.5% of the issued and outstanding shares of Riviera Mina Ltd. (“Riviera”), a company incorporated under the laws of the Republic of the Bahamas (collectively, the “Acquisition”). Riviera owns an indirect 76.5% interest in Petroleum Exploration License No. 0079 in relation to Block 2815 and 2915 for off-shore Namibia (the “License”) with the remaining interest held by Namibia’s national oil company, Namcor, and local Namibian partners. In connection with the transaction, the Company paid a fully refundable deposit of US\$100,000 (CDN\$133,750) to DMiner.

In April 2016 the Company entered into a share purchase agreement (the “SPA”) dated effective April 14, 2016 with DMiner Asset Management Company Inc. (the “Vendor”) and Riviera Mina Ltd. (“Riviera”), pursuant to which Windfire has agreed to acquire 91.5% of the common shares of Riviera (the “Riviera Shares”) from the Vendor (the “Transaction”) on the closing date of June 30, 2016 (extended to December 31, 2016). In consideration for the Riviera Shares, the Company has agreed to issue to the Vendor:

- (a) 8,000,000 common shares in the capital of Windfire (each, a “Windfire Share”), and
- (b) a senior secured convertible debenture in the principal amount of US\$1,900,000, which will: (i) have a maturity date of 42 months (3.5 years) from the date of issuance; (ii) be convertible into Windfire Shares, at the option of the Vendor, at a conversion price of \$1.00 per Windfire Share at any time; and (iii) bear interest at the rate of 8.0% per annum, payable on the earlier of conversion (with respect to any accrued interest as at the date thereof) and maturity.

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In connection with the Acquisition, Windfire intends to complete a private placement for proceeds up to \$5,000,000 at \$0.50 per subscription receipt (or other security).

The Acquisition will constitute a reverse takeover (“RTO”) under the policies of the TSX-V. Completion of the Acquisition remains subject to, among other things, satisfactory due diligence by the parties, approval of the TSX-V and shareholders of the Company, completion of the Financing, approval of the applicable regulatory bodies in Namibia (if necessary), and other conditions which are customary for transactions of this nature. Upon completion of this Acquisition, the Company would be a Tier 2 Oil and Gas Issuer.

In January 2017, the transaction with DMiner Asset Management Company Inc. and Riviera Mina Ltd was cancelled.

### SELECTED ANNUAL INFORMATION

The Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses. The summary of results is as follows:

|   | <i>2016</i> | <i>2015</i> | <i>2014</i> |
|---|-------------|-------------|-------------|
|   | \$          | \$          | \$          |
| <b>Operations:</b>                        |             |             |             |
| Revenues                                  | -           | -           | -           |
| Operating income (expenses)               | (50,744)    | (218,974)   | (762,177)   |
| Net and comprehensive income (loss)       | 17,927      | (173,412)   | (777,177)   |
| Basic and diluted income (loss) per share | 0.00        | (0.02)      | (0.09)      |
|   |             |             |             |
| Total assets                              | 148,540     | 573,955     | 72,221      |
| Total long-term liabilities               | -           | -           | -           |
| Dividends per share                       | -           | -           | -           |

As at December 31, 2016, the Company had not yet achieved profitable operations and had an accumulated deficit of \$2,903,280 (2015 - \$3,049,709). The net and comprehensive income of \$17,927 for the year ended December 31, 2016 (2015 – loss of \$173,412) resulted in a basic and diluted net income per share of \$0.00 (2015 – basic and diluted loss of \$0.02).

As at December 31, 2016, the Company has no continuing source of operating revenues. The Company has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be used to finance future business activities.

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**RESULTS OF OPERATIONS**

The Company has yet to generate any revenue since its inception from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The operating and administrative expenses for the year ended December 31, 2016 totalled \$50,744 (2015 - \$218,974). The table below details the significant changes in administrative expenditures for the current year from the comparative year:

| <b>Administrative Expenses</b> | <b>Increase / Decrease</b> | <b>Explanation for Change</b>   |
|--------------------------------|----------------------------|---|
| Business investigation costs   | Decrease of \$35,373       | Decreased due to less due diligence costs associated with the LOI with DMiner.  |
| Management fees                | Decrease of \$51,524       | Decreased as fees to management were voluntarily terminated in March 2015 as part of plans to cut costs.                            |
| Professional fees              | Decrease of \$11,151       | Decreased as there were additional legal and accounting fees in the last comparative year related to the Company's LOI with DMiner. |
| Rent                           | Decrease of \$6,132        | Decreased as there was no rent charged in the current year.   |
| Share-based compensation       | Decrease of \$32,742       | Decreased as there were no stock options granted in the current year.   |
| Trust and filing fees          | Decrease of \$24,308       | Decreased as there were additional filing fees in the last comparative year related to the Company's LOI with DMiner.               |

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**SUMMARY OF QUARTERLY RESULTS**

Historical quarterly financial information derived from the Company's eight most recently completed quarters is as follows:

|   |      | Quarters Ended       |                       |                  |                   |
|---|------|----------------------|-----------------------|------------------|-------------------|
|   |      | December 31,<br>2016 | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 |
| Net and comprehensive income (loss)                     | (\$) | (20,292)             | (7,772)               | (9,059)          | 55,050            |
| Income (loss) per share basic                           | (\$) | (0.00)               | (0.00)                | (0.00)           | 0.00              |
| Income (loss) per share - diluted                       | (\$) | (0.00)               | (0.00)                | (0.00)           | 0.00              |
| Weighted average number of shares outstanding - basic   |      | 11,148,036           | 11,148,036            | 11,148,036       | 11,148,036        |
| Weighted average number of shares outstanding - diluted |      | 11,148,036           | 11,148,036            | 11,148,036       | 11,689,703        |
|   |      | December 31,<br>2015 | September 30,<br>2015 | June 30,<br>2015 | March 31,<br>2015 |
| Net and comprehensive loss                              | (\$) | (83,705)             | (17,246)              | (8,730)          | (63,731)          |
| Loss per share basic and diluted                        | (\$) | (0.01)               | (0.00)                | (0.00)           | (0.01)            |
| Weighted average number of shares outstanding           |      | 11,148,036           | 11,069,775            | 9,840,155        | 8,511,785         |

The variations in the losses from quarter to quarter are mainly due to the level of administrative expenses incurred by the Company and are fairly consistent from quarter to quarter with the exception of the quarters ended:

- March 31, 2016 whereby the Company recorded a \$68,671 gain on settlement of debt for previously unpaid legal fees; and
- June 30, 2015 whereby the Company recorded \$45,562 in connection with a gain on settlement of debt.

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**FOURTH QUARTER**

The operating and administrative expenses for the period ended December 31, 2016 totalled \$20,292 (2015 - \$83,705). The table below details the significant changes in administrative expenditures for the current period versus the comparative period:

| <b>Administrative Expenses</b> | <b>Increase / Decrease</b> | <b>Explanation for Change</b>   |
|--------------------------------|----------------------------|---|
| Business investigation costs   | Decrease of \$45,017       | Decreased due to no costs incurred associated with the LOI with DMiner. |
| Office                         | Decrease of \$2,346        | Decreased as a result of plans to cut costs.                            |
| Professional fees              | Decrease of \$5,128        | Decreased in connection with reduced corporate activity.                |
| Trust and filing fees          | Decrease of \$12,554       | Decreased as a result of reduced corporate activity.                    |

During the quarter ended December 31, 2016, cash decreased by \$140,742 mostly due to the repayment of refundable deposits; while in the comparative period, cash increased by \$343,614 mostly from the receipt of refundable deposits.

**LIQUIDITY, FINANCIAL POSITION, AND CAPITAL RESOURCES**

The Company has financed its operations to date through the issuance of common shares and the exercise of warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company's liquidity and capital resources as at the following dates are as follows:

|  | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
|--|--------------------------|--------------------------|
|  | <b>\$</b>                | <b>\$</b>                |
| Cash                                     | 14,453                   | 438,172                  |
| Receivables                              | 275                      | 1,945                    |
| Prepaid expenses and deposits            | 133,750                  | 133,750                  |
| <b>Total current assets</b>              | <b>148,478</b>           | <b>573,867</b>           |
| Accounts payable and accrued liabilities | 71,496                   | 145,838                  |
| Deposits                                 | 25                       | 369,025                  |
| Loan payable                             | 50,000                   | 50,000                   |
| <b>Total current liabilities</b>         | <b>121,521</b>           | <b>564,863</b>           |
| <b>Working capital</b>                   | <b>26,957</b>            | <b>9,004</b>             |

As at December 31, 2016, the Company had cash of \$14,453 (2015 - \$438,172) and working capital of \$26,957 (2015 - \$9,004).

During the year ended December 31, 2016, the Company experienced a decrease in cash of \$423,719 versus an increase of \$377,537 in the comparative year ended December 31, 2015. In the current year, the Company funded its administrative costs and repaid most of the refundable deposits. In the comparative year, the Company received refundable deposits from subscriptions and issued shares; however, the cash inflows were also partially offset by funding administrative costs as well as the proposed transaction with DMiner.

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In March 2016, the Company received a credit of \$68,671 from the settlement of previously unpaid legal fees.

The Company cancelled the reverse takeover transaction with DMiner subsequent to the year ended December 31, 2016. Management will continue to identify and evaluate potential opportunities.

The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. See "Risks and Uncertainties".

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

#### RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

During the year ended December 31, 2016, the Company entered into the following transactions with related parties:

- i. Incurred \$nil (2015 - \$20,095) in management fees to a company controlled by Brian Morrison, an officer of the Company.
- ii. Incurred \$nil (2015 - \$31,429) in management fees to Clive Massey, a director and officer of the Company.
- iii. Paid or incurred \$nil (2015 - \$2,500) in rent and \$nil (2015 - \$1,000) in administrative services included in office expense to Redhill Resources Corp., a company with whom Mr. Morrison serves as a director.

Summary of key management personnel compensation:

|                          | For the year ended<br>December 31, |        |
|--------------------------|------------------------------------|--------|
|                          | 2016                               | 2015   |
|                          | \$                                 | \$     |
| Management fees          | -                                  | 51,524 |
| Share-based compensation | -                                  | 32,742 |
|                          | -                                  | 84,266 |

## **RISKS & UNCERTAINTIES**

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

### **Additional Financing**

In order to execute the current business objectives, the Company will require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to the capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### **Competition**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

### **No Operating History**

The Company and has not commenced commercial operations since incorporation to date. The Company has no history of earnings or paid any cash dividends, and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based compensation, the recognition of deferred tax amounts, and the recoverability of deposits.

### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Critical judgments exercised in apply accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

- i) Determination of categories of financial assets and financial liabilities; and
- ii) Assessment of the going concern assumption.

## **CHANGES IN ACCOUNTING POLICIES**

The Company has adopted these accounting standards effective January 1, 2016. The adoption of these accounting standards had no significant impact on the financial statements. These standards are:

- Amendments to IAS 34, Interim Financial Reporting
- Amendments to IFRS 7, Financial Instruments

### Accounting pronouncements not yet adopted

IAS 7 – Statement of Cash Flows (disclosure initiative): these amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes: The amendments clarify the recognition of deferred tax assets for unrealized losses on debt instruments. It is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect any effect on the Company’s financial statements.

IFRS 2 – Share Based Payments: The amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company is currently assessing the impact of this amendment to its financial statements.

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any effect on its financial statements.

IFRS 16 – Leases: specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company’s receivables, deposits, accounts payable and accrued liabilities, and loan payable approximate their carrying values. The Company’s cash is measured at fair value using level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash held in bank accounts and deposit. The Company has deposited the cash with its bank from which management believes the risk of loss is low. The maximum risk of the deposit is the carrying value of \$133,750.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Liquidity risk is assessed at high as the Company does not have significant cash to settle its current liabilities.

(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 the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk:*

The Company's operations and financing activities are conducted in Canadian dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

*Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk.

(d) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to meet its exploration commitments. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the Exchange.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy remains unchanged from 2015.

The Company is not subject to any externally imposed capital requirements.

## DISCLOSURE DATA FOR OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS

The Company has one class of common shares. Below is a summary of the outstanding capital of the Company as at December 31, 2016 and the date of this report:

|               | As at December 31, 2016 | Date of this report |
|---------------|-------------------------|---------------------|
| Common shares | 11,148,036              | 11,148,036          |
| Stock options | 350,000                 | 350,000             |

As at December 31, 2016 and the date of this report, the Company did not have any warrants outstanding.

### *Stock Options*

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report, the following options are outstanding and exercisable:

| Options outstanding | Exercise price | Options exercisable | Expiry date    |
|---------------------|----------------|---------------------|----------------|
|                     | \$             |                     |                |
| 200,000             | 0.405          | 200,000             | March 21, 2019 |
| 150,000             | 0.20           | 150,000             | May 22, 2020   |

## OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at [www.sedar.com](http://www.sedar.com);
- the Company's audited financial statements for the year ended December 31, 2016.

This MD&A was approved by the Board of Directors of Windfire Capital Corp.