

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

**ORLETTO CAPITAL II Inc.**  
**(A Capital Pool Company)**  
Management's Discussion and Analysis  
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FORM 51-102F1

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The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's financial statements and notes thereto for the nine and three months ended September 30<sup>th</sup>, 2021. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A was prepared by management of Orletto Capital II Inc. ("the Company") and was approved by the Board of Directors on November 15, 2021. All amounts are in Canadian dollars unless otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### 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", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company'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 Company'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 Company 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 to reflect future results, events or developments unless required by law.

### Description of the Business

The Company was incorporated on February 27, 2018, under the Canada Business Corporations Act to become a Capital Pool Company listed on the TSX Venture Exchange Inc. (Exchange), according to the provisions of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual.

The address of the Company's registered office is 70, Dalhousie Street, Suite 300, Québec, (QC), Canada.

The principal business of the Company is the identification and evaluation of assets or business with a view to completing a Qualifying Transaction under policies of the Exchange. Shareholders at the Annual General and Special Meeting dated June 22, 2021, voted in favor to adopt and align the corporation with the new Capital Pool Company (CPC) program and revised Policy 2.4, which became effective as at January 1, 2021 (the "New CPC Policy"). The Company must complete a Qualifying Transaction, which is subject to the approval of the Exchange within a reasonable period – see Material Event section.

## Initial Public Offering ("IPO")

On August 15, 2018, the Company completed its IPO of (i) 4,000,000 common shares of the capital stock of the Corporation (the "Common Shares"), at a price of \$0.10 per Common Share (the "Offering"), for gross proceeds of \$400,000, (ii) the grant of non-transferable options to the agent (Haywood Securities), entitling the holder to acquire 400,000 Common Shares at a price of \$0.10 per Common Shares, up to August 14, 2020 and (iii) the grant of 680,000 stock options to the directors and officers of the Corporation to purchase an aggregate number of 680,000 Common Shares, at a price of \$0.10 per Common Share, during a period of 5 years from the date of grant.

At the same time, the Corporation announced the listing of its Common Shares on the TSX Venture Exchange under the ticker abbreviation "OLT.P".

The purpose of this Offering was to provide the Company with a minimum amount of funds with which to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition.

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

## Selected Financial Information

The Company was incorporated under the provision of the Business Corporation Act (Quebec) on February 27, 2018, and December 31 is the date of its fiscal year end.

The following selected financial data is derived from the financial statements of the Company prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standard. The Company's expenditures mainly include costs to maintain its public company status in good standing and expenses to identify and evaluate acquisitions of companies, businesses, assets, or properties.

### Selected Quarterly Information

December 31, Year End	For the Period Ended	
	September 30, 2021 Q3 – unaudited	December 31, 2020 <sup>1</sup> audited
Cash	\$ 52,661	\$ 175,569
Pre-paid expenses	\$ 1,495	\$ -
Total assets	\$ 54,156	\$ 175,569
Total liabilities	\$ 98,776	\$ 15,428
Total shareholders' equity	\$(44,620)	\$160,141

<sup>1</sup> On August 15, 2018, the Company completed its IPO.

### Selected Quarterly Information

	Q3 ended September 30, 2019	Q4 ended December 31, 2019	Q1 ended March 31, 2020	Q2 ended June 30, 2020	Q3 ended September 30, 2020	Q4 ended December 31, 2020	Q1 ended March 31, 2021	Q2 ended June 30, 2021	Q3 ended September 30 2021
Expenses	\$17,834	\$18,755	\$54,445	\$31,004	\$13,923	\$21,113	\$25,441	\$60,688	\$ 118,633
Stock-based compensation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss for the period	\$17,834	\$18,755	\$54,445	\$31,004	\$13,923	\$21,113	\$25,441	\$60,688	\$118,633
Basic loss per share	\$0.003	\$0.003	\$0.008	\$0.005	\$0.002	\$0.003	\$0.004	\$0.009	\$0.017
Average Number of shares outstanding <sup>2</sup>	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800	6,800

<sup>2</sup> Share count in thousand 000.

The Company does not have any operations and will not conduct any business other than the identification and evaluation of business and assets for potential acquisition.

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

**Selected Statement of Operations Data**

	For the period of			
	Nine months ended September 30, 2021	Nine months ended September 30, 2020	Three months ended September 30, 2021	Three months ended September 30, 2020
Operating Expenses				
Listing & maintenance fees	\$ 20,085	\$8,456	\$ 13,109	\$ 1,495
Professional fees	\$184,676	\$90,955	\$105,524	\$ 12,428
Net loss for the period	\$ 204,761	\$99,411	\$118,633	\$ 13,923
Basic loss per share	\$0.030	\$0.015	\$0.017	\$0.002
Average Number of shares outstanding <sup>1</sup>	6,800,000	6,800,000	6,800,000	6,800,000

	For the period of	
	Three months ended September 30, 2021	Three months ended September 30, 2020
Listing & maintenance fees	\$ 13,109	\$ 1,495
Professional fees	\$105,524	\$12,428
Net loss for the period	\$118,633	\$13,923
Basic loss per share	\$0.017	\$0.002
Average Number of shares outstanding <sup>1</sup>	6,800,000	6,800,000

<sup>1</sup> On August 15, 2018, the Company completed its IPO with the total amount of share outstanding now amounting to a total of 6,800,000.

Expenses during the quarter ended September 30, 2021, were principally composed of professional fees from our lawyers and accountants totalling \$105,524 and \$13,109 for listing and maintenance expenses both of which were significantly higher than the previous comparable quarterly period due to the higher professional costs associated with the proposed reverse take over of Orletto by Charbone (see subsequent event section).

### Liquidity, Capital Resources and Outlook

The Company's ability to meet its obligations and its ability to finance its operations depends on being able to complete the Company's Qualifying Transaction and to obtain additional funding in the future. We expect to generate negative cash flow from operating activities in the future until at least our Qualifying Transaction is completed and we commence revenue generation.

Management intends to ensure that the operational and administrative costs are minimal prior to the completion of a Qualifying Transaction to preserve the Company's working capital.

### Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as of September 30, 2021.

## Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities. 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 and in any future periods affected.

Information related to critical judgments in applying accounting policies and estimates that have the most significant impact on the financial statements relates to deferred income taxes and fair value of stocks options.

## Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and account payable and accrued liabilities. It is management's opinion that the Company 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 Company:

	Authorized	Outstanding
Voting or equity issued and outstanding	Unlimited Common Shares	6,800,000 Common Shares <sup>1</sup>
Securities convertible or exercisable into voting or equity securities – stock options and warrants	Directors' and officers' stock options to acquire up to 10% of the issued and outstanding common shares	680,000 <sup>1</sup>
Voting or equity securities issuable on conversion or exchange of outstanding securities	as above	as above

<sup>1</sup> On August 15, 2018, the Company completed its IPO with the total amount of share outstanding now amounting to a total of 6,800,000 of which 2,800,000 shares are held in escrow. As of August 15, 2018, a total 680,000 stock options were granted to directors and officers of the Corporation for a period of 5 years, entitling the holders to acquire 680,000 Common Shares at \$0.10 per Common Share.

## Subsequent Material Event

**Québec, Québec, October 22, 2021** - Orletto Capital II Inc. (TSXV: OLT.P) ("**Orletto**"), a capital pool company listed on the TSX Venture Exchange (the "**Exchange**") and CHARBONE Corporation ("**Charbone**") are pleased to announce that further to the press release dated August 3, 2021, announcing the proposed reverse take over of Orletto by Charbone, Charbone entered into an engagement letter (the "**Engagement Letter**") with Desjardins Capital Markets (the "**Agent**") to act as sole agent and sole bookrunner on a "best efforts" basis of a concurrent private placement of 15,000,000 subscription receipts (the "**Subscription Receipts**") at a price of \$0.40 per Subscription Receipt for total proceeds of approximately \$6,000,000 (the "**Concurrent Financing**").

The Concurrent Financing will be completed in anticipation of the proposed three-cornered amalgamation between Orletto, Orletto's wholly owned subsidiary and Charbone (the "**Resulting Issuer**"), which once completed, will constitute Orletto's qualifying transaction (the "**Qualifying Transaction**"). The Qualifying Transaction is subject to parties entering into definitive agreements with respect to the Qualifying Transaction on or before December 31, 2021, or such other date to which Charbone and Orletto may mutually agree. Completion of the Qualifying Transaction remains subject to a number of terms and conditions, including, but not limited to, the completion of the Concurrent Financing, reciprocal due diligence and the receipt of all necessary consents, orders and approval from the Exchange and the *Autorité des marchés financiers*. Each Subscription Receipt shall entitle the holder to receive, without payment of additional consideration or further action on the part of the holders of the Subscription Receipts, one Resulting Issuer unit (each, a "**Resulting Issuer Unit**"), each Resulting Issuer Unit consisting of one common share of the Resulting Issuer (each, a "**Resulting Issuer Share**") and one-half Resulting Issuer share purchase warrant (each, a "**Resulting Issuer Warrant**"). Each Resulting Issuer Warrant shall entitle the holder to purchase one Resulting Issuer Share at a price of \$0.60 per Resulting Issuer Share, exercisable for a period of eighteen (18) months from the date of issuance.

Immediately prior to the completion of the Qualifying Transaction, all the convertible debentures and the Subscription Receipts will have been converted in units of Charbone. The holders of the convertible debentures will receive units of Charbone comprised of one Class A share and one purchase warrant. Each holder of the Subscription Receipts will receive units of Charbone comprised of one Class A share and one half of a purchase warrant. Upon the amalgamation of Orletto, Orletto's wholly owned subsidiary and Charbone, each Class A share of Charbone will be cancelled and replaced by 0.8342 common shares of the Resulting Issuer. Each common share of Orletto will be cancelled and replaced by 0.9265 common shares of the Resulting Issuer. Each warrant of Charbone and each option of Orletto will be exchanged for replacement warrant and option of the Resulting Issuer with adjustment terms according to the same ratio for the issuance of common shares of the Resulting Issuer to the shareholders of Charbone and Orletto.

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

Upon completion of the Qualifying Transaction and after giving effect to the Concurrent Financing but before the payment to the Agent of its fees, the shareholders of Orletto will hold approximately 6,300,000 Resulting Issuer Shares for a consideration of \$2,520,000 and 630,000 options, the shareholders of Charbone (without considering the holders of the convertible debentures and the subscribers in the Concurrent Financing) will hold approximately 20,835,350 Resulting Issuer Shares for a consideration of \$8,334,140, the holders of the convertible debentures will hold 7,864,650 Resulting Issuer Shares for a consideration of \$3,145,860 and 7,864,650 share purchase warrants (each share purchase warrant will give the right to its holder to subscribe one common share of the Resulting Issuer at a price of 0,40\$ for a period of 36 months after closing of the Qualifying Transaction) and the holders of the Subscription Receipts will hold 15,000,000 Resulting Issuer Shares for a consideration of \$15,000,000 and 7,500,000 Resulting Issuer Warrants for a total of 50,000,000 Resulting Issuer Shares, 15,364,650 share purchase warrants issued and outstanding and 630,000 options. All the Resulting Issuer Shares will be issued at a deemed price of \$0.40 per Resulting Issuer Share.

Proceeds of the Concurrent Financing will be held in escrow ("**Escrowed Funds**") pending the escrow release conditions contained in the subscription receipt agreement to be entered into between the holder, Charbone and Orletto (the "**Escrow Release Conditions**"), including, but not limited to, the closing of the Qualifying Transaction. Upon satisfaction of the Escrow Release Conditions, the Escrowed funds, less any amounts owing to the Agent, will be released to the Resulting Issuer, and each Subscription Receipt, at the closing of the Qualifying Transaction, shall automatically convert into one Resulting Issuer Unit. Each Resulting Issuer Unit issued pursuant to the conversion of the Subscription Receipts will be exchanged pursuant to the terms of the Qualifying Transaction for one Resulting Issuer Share and one-half Resulting Issuer Warrant. The Escrow Release Conditions must be satisfied on or before the later of: (a) 5:00 p.m. (Montreal time) 120 days after the closing of the Concurrent Financing, and (b) such later date as Orletto, Charbone and the Agent may agree in writing (in each case, the "**Outside Date**"). In the event that the Escrow Release Conditions are not satisfied by the Outside Date, the Escrowed Funds together with accrued interest earned thereon will be returned to the holders of the Subscription Receipts.

Pursuant to the Engagement Letter, the Agent will be paid a cash commission equal to 8% of the gross proceeds of the Concurrent Financing (the "**Agent's Cash Commission**"). On the closing of the Concurrent Financing, Charbone has also agreed to pay to the Agent a corporate finance fee of \$100,000, payable in cash or by the issuance of Resulting Issuer Units at the entire discretion of Charbone. The Agent will also receive broker warrants (the "**Broker Warrants**") exercisable into that number of Resulting Issuer Shares as is equal to 8% of the total number of Subscription Receipts issued pursuant to the Concurrent Financing. Each Broker Warrant will be exercisable at \$0.40 per Resulting Issuer Share for up to 24 months following the Escrow Release Date. Charbone has also agreed to pay for the Agent's reasonable expenses incurred in connection with the Concurrent Financing.

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

The net proceeds of the Concurrent Financing are expected to be deployed towards the contemplated construction of Resulting Issuer's hydrogen plant in Sorel-Tracy, the purchase of hydrogen equipment, and for working capital and general corporate purposes. Closing of the Concurrent Financing is expected to take place in the fourth quarter of 2021.

**Other Matters**

Orletto and Charbone are continuing to negotiate the terms of the definitive agreements with respect to the Qualifying Transaction.

A draft filing statement respecting the Resulting Issuer and the Qualifying Transaction has been prepared and filed for review in accordance with the policies of the Exchange and the applicable securities laws.

Trading in Orletto's common shares has been halted in compliance with the policies of the Exchange, and will remain halted pending the review of the Qualifying Transaction by the Exchange and the Autorité des marchés financiers and satisfaction of the conditions of the Exchange for resumption of trading. It is likely that trading in Orletto's common shares will not resume prior to the closing of the Qualifying Transaction.

Charbone has supplied all information contained in this news release with respect to Charbone and Orletto and its directors and officers have relied on Charbone for any such information.

*The securities described in this press release, and the securities into which they may be converted or exchanged, have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) absent registration or an exemption from registration. This press release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction where such offer, solicitation, or sale would be unlawful.*

**About Charbone**

Charbone is a corporation incorporated under the *Canada Business Corporations Act* on April 17, 2019. Charbone is a clean and sustainable hydroelectric manager of power plants with limited operations and activities. Charbone intends to become a producer of green hydrogen in order to provide an environmentally friendly solution for industrial and commercial use.

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

Charbone, through its wholly owned subsidiary, CHARBONE Corporation USA, made its first acquisition since incorporation on June 29, 2021, Stuwe and Davenport Partnership, LLC ("**Stuwe and Davenport LLC**"), a 0.2 MW hydropower plant located in Vermont for \$470,000 paid in cash. The Vermont hydropower plant has a 20-year operating agreement with Cabot Hosiery Mills Inc. Stuwe and Davenport LLC is located in the municipality of Northfield where it owns a dam built in 1983 on the Dog River. The powerplant was operated by Gravity Renewables, Inc., a Colorado-based company, from 2015 to 2021.

On July 27, 2021, Charbone announced the execution of a 25-year lease, with a 10-year renewal option, on a 390,686.89 sq. ft land in Sorel-Tracy, for an annual rent of \$78,000. Charbone intends to build its first 0.5 MW hydrogen plant by Q4 2021. Furthermore, plans are progressing in order to start production of green hydrogen in Sorel-Tracy by June 2022.

Following the purchase of the Vermont hydropower plant, Charbone plans to pursue the acquisition of 0.2 MW to 25 MW hydropower plants in the USA. Through the acquisition and consolidation of small hydropower plants, Charbone expects to generate recurring revenues during its plan to deploy green hydrogen plants throughout North America.

As the hydrogen market evolves, Charbone plans to use its hydropower plants to supply clean energy to its green hydrogen production plants in order to reduce carbon emissions and control production costs. Energy costs are currently a significant component of the hydrogen prices and the ability to control and lower these costs will, in its opinion, allow Charbone to have a more competitive offering when compared to other methods of production of hydrogen.

### **Cautionary Note**

*Completion of the Qualifying Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange requirements, majority of the minority shareholder approval. Where applicable, the Qualifying Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Qualifying Transaction will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the filing statement to be prepared in connection with the Qualifying Transaction, any information released or received with respect to the Qualifying Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the Qualifying Transaction and has neither approved nor disapproved the contents of this press release.*

**ORLETTO CAPITAL II Inc.**  
Management's Discussion and Analysis  
For the nine and three-month period ended September 30, 2021

*All information contained in this news release with respect to Orletto and Charbone was supplied by the parties, respectively, for inclusion herein, and Orletto and its respective directors and officers have relied on Charbone for any information concerning Charbone.*

## **Risks and Uncertainties**

The Company 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 Company will be able to obtain adequate financing to continue. The securities of the Company should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities:

- a) until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- b) the Company has had no business activity and has not acquired any material assets since its incorporation other than cash;
- c) the Company does not have a history of earnings, nor has paid any dividends and will not generate or pay dividends until at least after the completion of the Qualifying Transaction;
- d) the Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company 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 Company will be able to successfully complete the transaction;
- f) the Qualifying Transaction may be financed in all or in part by the issuance of additional securities by the Company 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 Company;
- 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) the Company competes with many Capital Pool Companies that are seeking suitable Qualifying Transactions. In addition, other Capital Pool Companies may have substantially greater financial and technical resources than the Company.

## 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 Directors of the Company. Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## CORPORATE DIRECTORY

Trading Symbol – OLT.P  
Exchange – TSX-V

### Head Office

Orletto Capital Inc.  
1-778-996-4676

### Legal Counsel, Canada

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### Officer and Directors

Benoit Chotard  
Octavio Soares  
Claude Pouliot  
Cynthia Mailloux

### Auditors

Mallette S.E.N.C.R.L.  
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### Audit Committee

Claude Pouliot  
Octavio Soares  
Benoit Chotard

### Transfer Agent

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