

PENBAR CAPITAL LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is dated November 15, 2021 and should be read in conjunction with the unaudited condensed interim financial statements of Penbar Capital Ltd. ("Penbar" or the "Company") for the three months ended September 30, 2021 and the audited financial statements for the year ended June 30, 2021. Penbar prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Penbar common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Penbar's financial statements, MD&A and all other continuous disclosure documents are filed with Canadian securities regulators and are available for review under the Penbar Capital Ltd. profile at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in the following MD&A constitute forward-looking statements. Such forward looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

DESCRIPTION OF BUSINESS

Penbar Capital Ltd. (the "Company") was incorporated on March 4, 2021 under the laws of British Columbia. The Company is in the process of completing an Initial Public Offering ("IPO") and listing on the TSX Venture Exchange (TSX-V" or the "Exchange"). The Company is applying to be a Capital Pool Company ("CPC") as defined in the TSX-V Policy 2.4. The Company has not commenced commercial operations and has no significant assets. The activities of the Company are initially limited to the efforts to identify and evaluate the acquisition of assets and business, which would represent a "Qualifying Transaction" for regulatory purposes. On October 26, 2021, the Company received conditional approval to its application for listing the common shares on the Exchange. Acceptance is conditional to the completion of the prospectus offering, satisfactory receipt of final documentation pursuant to TSX-V Policy 2.3 and 2.4, and evidence of satisfactory shareholder distribution on completion of the IPO. The head office and the records and registered office is located at 2250 - 1055 W Hastings St. Vancouver, British Columbia, V6E 2E9.

The Company's continuing operations are dependent on the continued financial support of its shareholders, and the completion of a Qualifying Transaction. Any acquisition or investment proposed by the Company will be subject to regulatory approval. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within such time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's common shares from trading.

All amounts are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions.

OVERALL PERFORMANCE

Since its incorporation on March 4, 2021, the Company has focused on completing an IPO and filing a listing application on the Exchange and has incurred expenses relevant to such activity during the three months ended September 30, 2021 as characterized by filing fees and professional fees.

Loss and comprehensive loss for the three months ended September 30, 2021, was \$13,119, which is further explained in "Discussion of Operations" below.

DISCUSSION OF OPERATIONS

Key components of loss and comprehensive loss for the three months ended September 30, 2021 were as follows:

- Filing fees of \$10,334 relating to the filings of the Company's IPO prospectus and listing application on the Exchange; and
- Professional fees of \$2,707 comprised of legal fees relating to the Company's listing application on TSX-V.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited quarterly financial information of the Company for the three most recently quarters of operation since its incorporation on March 4, 2021. This information is derived from unaudited quarterly financial statements prepared by management. The financial data for the quarters ended from March 31, 2021 to September 30, 2021, are prepared in accordance with IFRS.

	September 30, 2021	June 30, 2021	March 31, 2021
	\$	\$	\$
Total Assets	84,376	97,314	99,988
Working Capital	84,195	97,314	99,988
Revenue	-	-	-
Net Loss	(13,119)	(2,674)	(12)
Loss per Share	(0.007)	(0.001)	(0.000)

Overall, profession fees and filing fees were the major components that caused variances in net loss from quarter to quarter. During the three-month period ended September 30, 2021, the major expenses of the Company were filing fees of \$10,344, and professional fees of \$2,707.

LIQUIDITY AND CAPITAL RESOURCES

The Company utilizes existing cash and the issuance of common shares to provide liquidity to the Company. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue the plans of identifying and completing a Qualifying Transaction, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's capital management approach is also disclosed in Note 9 of the interim condensed financial statements for the three months ended September 30, 2021.

During the three months ended September 30, 2021, the Company's cash decreased by \$10,544 driven primarily by the expenses in connection with the Company's listing application on TSX-V.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

A detailed summary of all the Company's critical accounting estimates is included in Note 4 – Summary of Significant Accounting Policies to the September 30, 2021, interim condensed financial statements.

RISK FACTORS

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline, and prospective investors may lose part or all of their investment.

No Operating History

The Company was incorporated on March 4, 2021, has not commenced commercial operations and has no assets other than cash. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. The Company has only limited funds with which to identify and evaluate potential acquisitions of a material asset or a business (Qualifying Transaction, or Proposed Transaction) and there can be no assurance that the Company will be able to do so. Even if a Proposed Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

No Assurance of Market for Shares

There can be no assurance that an active and liquid market for the Company's common shares will develop and a shareholder may find it difficult to resell its common shares.

Halt of Trading

Upon public announcement of a potential Proposed Transaction, trading in the common shares of the Company will be halted and will remain halted until Completion of the Proposed Transaction, or sooner pursuant to Policy 2.4. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential Proposed Transaction.

Exchange May Not Approve a Qualifying Transaction

Completion of a Proposed Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval as such terms are defined in Policy 2.4.

Notwithstanding that a transaction may meet the definition of a Proposed Transaction; the Exchange may not approve a Proposed Transaction:

- (a) if the Company fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the Exchange upon Completion of the Proposed Transaction;
- (b) if, following Completion of the Qualifying Transaction, the Company will be a finance company, or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Company in connection with the Proposed Transaction is not acceptable to the Exchange; or
- (d) for any other reason at the sole discretion of the Exchange.

Approval by the Majority of the Minority

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Proposed Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Company of fair value for the common shares.

Dilution

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change, and shareholders may suffer dilution of their investment.

Directors and Officers

The Directors and Officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the Directors and Officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management

The Company is relying solely on the past business success of its Directors and Officers to identify a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities of its Directors and Officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

Foreign Acquisition

In the event the Company identifies a foreign business as a Proposed Transaction, shareholders may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other

factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company's significant estimates and judgments are disclosed in Note 4 – Summary of Significant Accounting Policies to the September 30, 2021, interim condensed financial statements.

FINANCIAL INSTRUMENTS

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. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Fair Value Measurements

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 cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

Financial risk management

- **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

- **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 9 of the interim condensed financial statements for the three months ended September 30, 2021.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. The Company does not have investments in any asset backed deposits.

- **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

- **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 exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

- **Currency Risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

NEW ACCOUNTING STANDARD ADOPTED

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after July 1, 2021. The Company has determined that there were no new accounting standards, interpretations or amendments to existing accounting standards that had any effect on the Company's financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As of September 30, 2021, there were no amounts due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

During the three months period ended September 30, 2021, \$Nil was recorded as compensation costs for key management personnel and companies related to them.

OUTSTANDING SHARE DATA

Common shares

The following table sets forth the Company's outstanding share data:

Total common shares at November 15, 2021	2,000,000
Total outstanding stock options	0
Total outstanding warrants	0
Total diluted common shares at November 15, 2021	2,000,000

CONTROLS AND PROCEDURES

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI- 52-109. In particular, the CEO and CFO certifying Officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's financial reporting framework. The issuer's certifying Officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosures of financial information. Investors should be aware that inherent limitations on the ability of certifying Officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

SUBSEQUENT EVENTS

The Company is pursuing an IPO of up to 2,000,000 common shares at \$0.10 per share to raise gross proceeds of \$200,000 and, on July 8, 2021, entered into an engagement agreement with Canaccord Genuity Corp., (the "Agent") as agent for the IPO. The Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the common shares pursuant to the IPO. In addition, the Company will pay the Agent an administration fee of \$15,000 and will pay the Agent's legal fees, and any other reasonable costs and expenses of the Agent. The Company has also agreed to issue warrants to the Agent to purchase up to 10% of the total number of common shares sold pursuant to the IPO at an exercise price of \$0.10 per common share. The warrants will expire 36 months from the closing of the IPO.

In addition, the Company approved the issuance of 400,000 incentive stock options to be granted on completion of the IPO. The options will be exercisable at a price of \$0.10 for a period of 10 years from the date on which the Company's common shares commence trading on the TSX-V.

On October 26, 2021, the Company received conditional approval to its application for listing the common shares on the Exchange. Acceptance is conditional to the completion of the prospectus offering, satisfactory receipt of final documentation pursuant to TSX-V Policy 2.3 and 2.4, and evidence of satisfactory shareholder distribution on completion of the IPO.

On October 29, 2021, the Company filed its Final Prospectus with the TSX-V in connection to the Company's IPO.