

## METEORITE CAPITAL INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

**May 29, 2020**

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Meteorite Capital Inc. ("Meteorite" or the "Company"), dated May 29, 2020 covers the year ending December 31, 2019 and should be read in conjunction with the audited financial statements of the Company and the notes thereto for the years ended December 31, 2019 and 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A supplements, but does not form part of the financial statements. Management is responsible for the preparation of the financial statements and the MD&A for the year ending December 31, 2019. Additional information on the Company is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

Where we say "we", "us", "our", or the "Company" we mean Meteorite unless otherwise indicated. All amounts are presented in Canadian dollars unless otherwise indicated.

#### **Description of Business:**

The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of Canada Business Corporations Act on April 27, 2018. The Company completed its initial public offering ("IPO") of 5,000,000 common shares for gross proceeds of \$750,000 on September 28, 2018. The Company's common shares were listed on the TSX Venture Exchange ("TSX-V" or the "Exchange") on October 12, 2018 and commenced trading on the TSX-V on the same day under the symbol "MTR.P".

The Company was listed as a Capital Pool Company ("CPC") as defined in TSX-V Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business with a view to completing a qualifying transaction ("Qualifying Transaction") as defined under TSX-V Policy 2.4.

#### **Forward-looking statements**

*Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that those expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.*

*With respect to forward-looking statements above and otherwise contained in this MD&A, the Company has made assumptions regarding, among other things:*

- *the legislative and regulatory environment;*

- *the impact of increasing competition;*
- *ability to obtain regulatory and shareholder approvals; and*
- *the Company's ability to obtain additional financing on satisfactory terms.*

*The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below:*

- *volatility in the market conditions;*
- *incorrect assessments of the value of acquisitions;*
- *due diligence reviews; and*
- *competition for suitable acquisitions.*

### **Overall Performance**

Meteorite is classified as a CPC for the purposes of the policies of the Exchange. As a result, the Company's current business is to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a non-arm's length Qualifying Transaction, is also subject to "majority of the minority approval" in accordance with Policy 2.4 of the Exchange. During the year ended December 31, 2019, the Company had not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests.

Subsequent to year-end on May 19, 2020, the Company announced that it has signed a binding letter agreement (the "Letter Agreement") with Sparkit Media Inc. ("Sparkit"), a privately held corporation existing under the laws of British Columbia and operating in the technology industry, which outlines the general terms and conditions pursuant to which the Company and Sparkit have agreed to complete a transaction that will result in a reverse take-over of the Company by the shareholders of Sparkit (the "Transaction"). The Letter Agreement was negotiated at arm's length and is effective as of May 18, 2020. The Transaction, subject to the approval of the Exchange, is then expected to proceed by way of a three-cornered amalgamation to which Sparkit shall amalgamate with a wholly-owned subsidiary of the Company, and the Company will acquire all of the issued and outstanding common shares of Sparkit, in exchange for the Company's common shares on the basis of a predetermined exchange ratio.

### **Results of Operations**

As of December 31, 2019, the Company had no operations other than identifying a qualifying transaction.

For the year ending December 31, 2019, Meteorite incurred total expenses of \$92,588. These expenses are mainly related to stock-based compensation, professional fees and listing fees.

Working capital at December 31, 2019 was \$602,347, compared to \$661,656 as at December 31, 2018.

## Selected Financial Information

A summary of selected financial information for the year ended December 31, 2019 and the period from April 27, 2018 (date of incorporation) to December 31, 2018 is set out below:

	December 31, 2019	December 31, 2018
Net loss and comprehensive loss	\$(92,588)	\$(154,451)
Basic and fully diluted loss per share	(0.01)	(0.04)
Total expenses	92,588	154,451
Total assets	622,097	730,664
Cash used in operations	(108,567)	(85,443)
Long-term financial liabilities	Nil	Nil

For the year ended December 31, 2019, the Company reported no discontinued operations and declared no cash dividends.

## Summary of Quarterly Results

	3 Months Ended Dec 31 2019	3 Months Ended Sept 30 2019	3 Months Ended June 30 2019	3 Months Ended Mar 31 2019	3 Months Ended Dec 31 2018	3 Months Ended Sept 30 2018	64-Day Period Ended June 30 2018
Professional fees	\$ 19,959	\$ 18,535	\$ 8,274	\$ 6,534	\$ 39,641	\$ 21,637	\$ 7,310
Stock-based compensation	33,279	-	-	-	-	-	-
Listing fees	-	8	-	5,979	22,315	63,374	-
Bank charges and interest	(39)	29	18	12	121	36	17
Net loss and comprehensive loss	(53,199)	(18,572)	(8,292)	(12,525)	(62,077)	(85,047)	(7,327)
Loss per share*	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.04)	(0.00)

\*does not include escrowed shares as they are contingently returnable.

This summary of quarterly results should be read in conjunction with the financial statements and notes included in the Company's financial statements as at December 31, 2019.

## Discussion of Operations for the year ended December 31, 2019

Loss and comprehensive loss for the year was \$92,588 compared to \$154,451 for the 8-month period of 2018. The decrease in the loss by \$61,863 is principally due to a decrease in listing fees of \$79,702 and a decrease in professional fees of \$15,286, offset by stock-based compensation expense of \$33,279 recorded in 2019.

## Discussion of Operations for the three months ended December 31, 2019

For the three-month period ended December 31, 2019, net loss and comprehensive loss decreased by \$8,878 compared to the same period in 2019. The decrease is principally due decreases in professional and listing fees, partially offset by the stock-based compensation expense of \$33,279.

## Transactions with Related Parties

Related parties include the Board of Directors, the president, the chief financial officer, close family members and enterprises which are controlled by these individuals as well as persons performing similar functions.

During the year ended December 31, 2019, a law firm of which an officer, director and shareholder of the Company is a partner, provided legal services in the amount of \$12,200 of which \$895 was included in accounts payable and accrued liabilities. As at December 31, 2018, accounts payable and accrued liabilities included an amount of \$64,008 related to legal services and an advance on behalf of the Company for the payment of listing and filing, which were subsequently paid in the first quarter of 2019.

## Outstanding Share Data

At the date of this MD&A, the following is a description of the outstanding equity securities and exercisable securities previously issued by the Company:

	<b>Authorized</b>	<b>Description of Securities</b>
Voting or equity securities issued and outstanding	Unlimited common shares	7,065,000 common shares (2,065,000 deposited in escrow)
Options issuances and outstanding	Up to a maximum of 10% of common shares outstanding	565,200 options to acquire 565,200 common shares
Warrants issued and outstanding	Agent option to acquire 500,000 common shares	500,000 warrants to acquire 500,000 common shares

## Financial Instruments and Risk Factors

The Company's financial instruments consist of cash, investment in short-term GIC and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit or liquidity risks arising from its financial instruments.

## Liquidity and Capital Resources

As at December 31, 2019, Meteorite had net working capital of \$602,347 comprised of cash and an investment in a short-term GIC, offset by accounts payable and accrued liabilities. As a result, the Company is not exposed to significant liquidity risk, and has sufficient funds to meet its ongoing obligations and to meet its objective of completing a Qualifying Transaction. Meteorite does not generate revenue from operations and any significant improvements in working capital would result from the issuance of share capital.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the potential Qualifying Transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and total shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2019. In accordance with the TSX-V Policy 2.4 and until completion of a Qualifying Transaction, the Company will be subject to constraints related to the use of the funds obtained through the sale of its common shares.

### **Contractual Obligations**

The Company has no long-term debt outstanding or contractual obligations.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Financial Risk Factors**

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

#### *Credit risk*

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and investment in short-term GIC. The Company limits its exposure to credit loss by placing its cash and holding its GIC with a major financial institution.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company's current assets exceeded its current liabilities. In order to meet future obligations as they become due, the Company may need to access funding from the issuance of equity securities, the exercise of stock options or through other sources. The Company's access to financing is uncertain and there is no assurance of continued access to equity funding.

#### *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 commodity and equity prices.

##### *a) Interest rate risk*

The Company is exposed to interest rate risk on its variable interest rate short-term GIC and to the extent that the cash maintained at the financial institution is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. Subsequent to year-end, the Company's short-term GIC matured and was re-invested in a new fixed rate short-term GIC.

##### *b) Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2018, the Company did not have any accounts in foreign currencies and considers foreign currency risk insignificant.

##### *c) Price risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely

monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

## **Subsequent Events**

### *COVID-19 Health Crisis risk*

Subsequent to year end, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

### *Qualifying Transaction and Private Placement Offering*

As previously described, the Company signed a binding Letter Agreement with Sparkit, effective as of May 18, 2020, pursuant to which the Company and Sparkit have agreed to complete a reverse take-over Transaction of the Company by the shareholders of Sparkit. The Transaction is then expected to proceed by way of a three-cornered amalgamation to which Sparkit shall amalgamate with a wholly-owned subsidiary of the Company, and the Company will acquire all of the issued and outstanding common shares of Sparkit, in exchange for the Company’s common shares on the basis of an exchange ratio of 0.0995 Meteorite Capital Inc. common shares for every one Sparkit share issued and outstanding, reflecting a deemed price of \$0.225 per Meteorite Capital Inc. common share or such other value that is acceptable to the Company, Sparkit and the Exchange, such that Sparkit will be a wholly-owned subsidiary of the Company as it exists following the completion of the Transaction.

Concurrently with the closing of the Transaction, the Company intends to conduct a brokered private placement offering of common share units (the “Units”) led by Leede Jones Gable (the “Agent”) for gross proceeds to the Company of a minimum of \$1,755,000 and a maximum of \$2,250,000 (the “Offering”), in accordance with the policies of the Exchange. Each Unit shall be comprised of one common share and one-half common share purchase warrant, which will entitle its holder to purchase one common share at a price of \$0.35 for a period of 24 months following the completion of the Transaction. The Agents will receive a cash commission equal to 8% of the gross proceeds raised in the Offering and such number of broker warrants that is equal to 8% of the number of Units sold.

In connection with the Transaction, on April 17, 2020, the Company advanced \$25,000 to Sparkit as a promissory note. The promissory note bears interest at a rate of 6.5% per annum, calculated and accrued monthly, and matures on June 30, 2020. Interest and principal shall be payable on the maturity date.

During the period from January 1, 2020 to the date of authorization these financial statements, the Company partially redeemed \$140,000 of its investment in the short-term GIC. \$25,000 was redeemed and advanced to Sparkit as a promissory note (see above) and \$100,000 was redeemed to cover anticipated Agent fees, professional fees and other costs associated with the Offering.

## **Critical Accounting policies and Estimates updated**

Critical accounting estimates are those estimates that have a high degree of uncertainty and for which changes in those estimates could materially impact the Company's results.

Management used the Black-Scholes model to estimate the fair value of stock options and warrants issued. The estimated life of the stock options and warrants at the grant date is based on the legal life of the equity instruments and the expected exercise pattern of the holders. The expected volatility used to calculate the grant date fair value is estimated taking into account the historical volatility of similar companies' share prices over the expected term of the stock options and warrants granted.

Actual results could differ from those estimates.

**Additional Information**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).