

# **FARSTARCAP INVESTMENT CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following information, prepared as of January 25, 2024, should be read in conjunction with the audited consolidated financial statements of Farstarcap Investment Corp. (the "Company") for the years ended September 30, 2023 and 2022. The referenced audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **FORWARD-LOOKING STATEMENTS**

This Management Discussion and Analysis ("MD&A") contains statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of January 25, 2024.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **COMPANY DESCRIPTION**

The Company was incorporated under the Business Corporations Act of British Columbia on September 22, 2016. The Company was formed for the primary purpose of completing an Initial Public Offering ("IPO") on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. The Company's principal business is to identify, evaluate and acquire assets, properties or businesses which would constitute a qualifying transaction ("Qualifying Transaction") in accordance with Policy 2.4 of the Exchange. The Company's head office is located at 1100-1199 West Hastings Street, Vancouver, BC V6E 3T5. On February 13, 2019, the Company completed its IPO and was listed on the Exchange.

As a CPC, the Company is subject to certain cash restrictions. Proceeds raised from the issuance of common shares from the IPO may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuances of shares, or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative general expenses of the Company. The restrictions apply until completion of a Qualifying

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Transaction by the Company in accordance with Policy 2.4 of the Exchange. On February 19, 2021, the Company received final approval from the Exchange to remove the consequences of failing to complete a Qualifying Transaction within 24 months of listing, such as, requiring a transfer to the NEX Board and cancelling certain seed shares, and amended the escrow share release terms.

### PROPOSED TRANSACTION

On September 11, 2023, the Company entered into a letter of intent with HerdWhistle Technologies Inc. (“HWT”) regarding a proposed transaction to acquire all the issued and outstanding securities of HWT (the “Transaction”). On October 24, 2023, the Company entered into an agreement to amend the letter of intent with HWT (the “LOI”).

Pursuant to the LOI, subject to the execution of a definitive agreement, HWT will conduct a private capital raise of up to \$1,500,000 at a price of \$0.60 per unit of HWT and issue up to 2,500,000 units of HWT (the “HWT Units”) (the “Initial Private Offering”). Each HWT Unit consists of one common share of HWT (a “HWT Share”) and one common share purchase warrant of HWT (a “HWT Warrant”), with each HWT Warrant exercisable into a HWT Share at an exercise price of \$1.20 per share for a period of three years. The Initial Private Offering will continue until the earlier of either (i) HWT issuing a total of 2,500,000 HWT Units or (ii) ten days before the closing of the Transaction.

The closing of the Transaction will be conditional upon HWT completing a private placement financing of subscription receipts (the Subscription Receipts”) at a price of \$0.60 per subscription receipt unit, each of which will, prior to the effective time of the Transaction, automatically convert into one HWT Share (the “Sub Receipt Share”) and one HWT Warrant (the “Sub Receipt Warrant”), with each Sub Receipt Warrant exercisable into a HWT Share at an exercise price of \$1.20 per share for a period of three years, for no additional consideration upon the satisfaction of certain escrow release conditions, including the conditional approval of the Exchange for the Transaction and satisfaction or waiver of all of the conditions precedent to the Transaction as set out in the definitive agreement. The Transaction is subject to regulatory approval.

HWT is a private company and was incorporated on January 6, 2021 pursuant to the laws of Alberta, Canada. HWT’s innovative solutions empower farmers to enhance animal welfare, optimize resource utilization, and drive agricultural productivity.

### SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited financial information of the Company for the years ended September 30, 2023, 2022 and 2021:

	2023	2022	2021
	\$	\$	\$
Total Revenues	-	-	-
Loss	(51,110)	(34,192)	(63,274)
Loss Per Share (basic and diluted) <sup>(1)</sup>	(0.01)	(0.01)	(0.01)
Total Assets	31,361	74,536	113,638
Long-term Liabilities	-	-	-
Dividends Declared	-	-	-

<sup>(1)</sup> The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

### RESULTS OF OPERATIONS

#### For the Year Ended September 30, 2023

The Company recorded a loss of \$51,110 (\$0.01 per share) for the year ended September 30, 2023 as compared to a loss of \$34,192 (\$0.01 per share) for the year ended September 30, 2022. The increase in loss for the year ended September 30, 2023 is primarily due to an increase in professional fees to \$30,997 compared to \$22,329 for the year ended September 30, 2022. The increase is due to increased corporate activity associated with the Transaction.

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### For the Three Months Ended September 30, 2023

The Company recorded a loss of \$10,337 (\$0.00 per share) for the three months ended September 30, 2023 as compared to a loss of \$3,275 (\$0.00 per share) for the three months ended September 30, 2022. The increase in loss for the period ended September 30, 2023, is primarily due to an increase in listing and filing fees to \$6,575 compared to \$2,353 for the period ended September 30, 2022 due to the Transaction and timing of expenses.

### SUMMARY OF QUARTERLY RESULTS

A summary of the Company's quarterly results for the past eight quarters is as follows:

	Three Months Ended (\$)			
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Loss and comprehensive loss	(10,337)	(5,421)	(22,729)	(12,623)
Basic and diluted loss per share <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Working capital	22,316	32,653	38,074	60,803

	Three Months Ended (\$)			
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Loss and comprehensive loss	(3,275)	(6,034)	(7,823)	(17,060)
Basic and diluted loss per share <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Working capital	73,426	76,701	82,735	90,558

<sup>(1)</sup> The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed \$43,324 (2022 - \$39,102) of cash for the year ended September 30, 2023. The Company's aggregate operating, investing, and financing activities during the year ended September 30, 2023, resulted in a decrease in its cash balance from \$72,261 at September 30, 2022 to \$28,937 at September 30, 2023.

The Company's working capital at September 30, 2023, was \$22,316 compared to working capital of \$73,426 at September 30, 2022.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, or acquire assets. The Company is dependent on the capital markets as its primary source of operating working capital and the Company's capital resources are largely determined by its ability to compete for investors and associated financings.

The Company has no long-term debt.

### FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

There were no financing activities during the years ended September 30, 2023 and 2022.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

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## 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. Parties are also considered to be related if they are subject to common control or common significant influence, 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. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

As at September 30, 2023, the Company had \$nil (2022 - \$nil) owing to related parties. Compensation paid or accrued to key management or companies controlled by key management personnel during the years ended September 30, 2023 and 2022 was \$nil.

## FINANCIAL INSTRUMENTS

### Financial Instruments Fair Value Hierarchy

The Company has categorized fair value measurements of its financial instruments using a fair value hierarchy that reflects the reliability of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs, other than Level 1 prices, in active markets for similar assets or liabilities, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The Company classified and measures cash and accounts payable and accrued liabilities at amortized cost. The fair values of the Company's financial instruments approximate their carrying values due to their short-terms to maturity.

The risks associated with financial assets and liabilities are as follows:

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the Company's cash. The Company's cash is held with the Bank of Montreal. Accordingly, the Company believes it is not exposed to significant credit risk. The Company's exposure to and management of credit risk has not changed materially from that of the year ended September 30, 2022.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. As at September 30, 2023, all of the Company's liabilities were short-term and due on demand. At September 30, 2023, the Company had working capital of \$22,316 (2022 - \$73,426). The Company's exposure to and management of liquidity risk has not changed materially from that of the year ended September 30, 2022.

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## Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk. The Company's exposure to and management of market risk has not changed materially from that of the year ended September 30, 2022.

- **Interest Rate Risk**  
Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company believes it is not exposed to significant interest rate risk as the Company's cash is earning interest at market rates, and the Company has no interest bearing financial liabilities.
- **Foreign Exchange Risk**  
Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company believes it is not exposed to significant foreign exchange risk.
- **Other Price Risk**  
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer by factors affecting all similar financial instruments traded in the market. The Company believes it is not exposed to significant other price risk.

## OUTSTANDING SHARE DATA

Authorized:      Unlimited common shares without par value.  
                         Unlimited preferred shares issuable in series.

All share information is reported as of January 25, 2024, in the following table:

Type of Security	Number	Exercise Price (\$)	Expiry Date
Issued and outstanding common shares	5,610,001	N/A	N/A
Stock options	250,000	0.10	February 13, 2024
Total	5,860,001		

## RISKS AND UNCERTAINTIES

The Company is currently in the process of identifying and evaluating assets or businesses in order to complete a Qualifying Transaction and has no source of revenue. The Company is not permitted to carry on any other business other than the identification and evaluation of assets or business to complete a Qualifying Transaction.

There can be no assurance the Company will successfully identify an assets or businesses to complete a Qualifying Transaction or have the necessary financial resources to complete a Qualifying Transaction. There can be no assurance that the Company will be able to successfully obtain the necessary financing in the future on terms acceptable to the Company or at all.

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### **DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the years ended September 30, 2023 and 2022 and this accompanying MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).