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**COLOURED TIES CAPITAL INC.**

**Management's Discussion & Analysis**

**Form 51-102F1**

**As at and for the three and nine months ended June 30, 2023**

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**1500 Royal Centre, 1055 West Georgia Street, Vancouver, BC, V6G 2Z6**

**Tel: (604) 805-4602**

**Email: [kal@bullruncapital.ca](mailto:kal@bullruncapital.ca)**

# **COLOURED TIES CAPITAL INC.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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August 29, 2023

### **OVERVIEW**

The following management's discussion and analysis ("MD&A") is a review of the operations, current financial position and outlook for Coloured Ties Capital Inc. (the "Company") and should be read in conjunction with the interim condensed financial statements for the three and nine months ended June 30, 2023 (the "Financial Statements") and audited financial statements for the year ended September 30, 2022; including the notes thereto, copies of which are filed on the SEDAR website: [www.sedar.com](http://www.sedar.com).

All dollar figures included herein and in the following discussion and analysis are quoted in thousands of Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company's Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Information provided in this MD&A, including financial information extracted from the Financial Statements, is the responsibility of management. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Accordingly, actual results may differ materially from the expected results.

### **DESCRIPTION OF THE COMPANY'S BUSINESS**

Coloured Ties Capital Inc., incorporated in Alberta on August 22, 2008, is primarily listed and trading on the TSX Venture Exchange (the "Exchange") as an investment issuer with the trading symbol "TIE". On November 29, 2021, the Company changed its name from Growmax Resources Corp. to Coloured Ties Capital Inc.

The head office, and principal address of the Company is 1500 Royal Centre, 1055 West Georgia Street, PO box 11117, Vancouver, BC, V6G 2Z6.

Since inception, efforts of the Company had been devoted to the acquisition, exploration and development of mineral properties. In past years, the Company was focused on the exploration, evaluation, and development of phosphate and potassium-rich brine resources on its Bayovar property (the "Bayovar Property"), which is located in the Sechura Desert in Northwestern Peru. After a thorough review of the Company's resources and strategic options, and given the expertise and skill sets of the Company's current management and directors, the Company's board of directors determined that the optimal allocation of the Company's working capital would be within the framework of an investment company. On August 19, 2021, the Company announced that it received final approval from the TSX Venture Exchange ("TSXV") with respect to its previously announced proposed change of business ("COB") from mineral exploration to an investment issuer.

### **OVERALL PERFORMANCE**

At June 30, 2023, the Company had an accumulated deficit of \$163,797 (September 30, 2022 - \$226,617) since its inception. The Company had working capital of \$37,452 (September 30, 2022 - \$21,132). Working capital is a non-GAAP financial measure and is calculated as current assets of \$42,834 (September 30, 2022 - \$21,505), less current liabilities of \$5,382 (September 30, 2022 - \$373).

During and after the period ended June 30, 2023, the COVID-19 pandemic has relatively stabilized in Canada, access to vaccines has become more widespread, but the impact on the national and local economies remains significant, negative, and widespread. The Company continues to monitor and assess the impact on its current and potential investments.

## COLOURED TIES CAPITAL INC.

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#### Overview of events and corporate updates

During the year end September 30, 2022, the Company reported a change in its business focus away from mineral exploration and into an investment issuer classification. As at June 30, 2023, the Company's large portfolio and developments consists of Patriot Battery Metals Inc ("PMET"), Azimut Exploration Inc., Quebec Pegmatite Corp., Ride Vision Ltd. and Power Metals Corp. PMET has achieved early drilling success at their Corvette Lithium property in Quebec and its stock price has seen appreciation to a high of \$17.53 on June 16, 2023.

On December 16, 2021, the Company entered into a loan repayment agreement with Fertimar Mineracao E Navegacao SA ("Fertimar"), whereby Fertimar shall repay the debt of Brazilian Reals 6,000,000 in 12 monthly instalments. This loan receivable was previously impaired to \$Nil by the Company. During the year ended September 30, 2022, the Company recognized an amount receivable of \$1,350. On August 17, 2022, the Company entered into an amended agreement pursuant to which, remaining Brazilian Reals 4,000,000 are to be payable in further 12 monthly instalments ending on June 7, 2023, with an interest at the rate of 2.5%. During the period ended June 30, 2023, pursuant to the non-payment of 6 consecutive instalments, the Company has reached out to Fertimar to address the non-payments and is currently negotiating the recovery of the balance of the loan. In the absence of definitive assurance of recovery, management has decided to impair the balance of the loan. In order to recover the remaining balance of the loan, the management has decided to invoke the personal guarantee linked to the remaining loan balance.

On April 12, 2022, a settlement offer of \$19 was accepted to settle a claim filed against the Company during the year ended September 30, 2021, from a third party for a breach in an agreement. The Company has made the final payment for the settlement.

On May 12, 2022, the Company announced its intention to acquire a 1% Net Smelter Royalty ("NSR") on Arnett Creek Gold project being developed by Revival Gold. On August 25, 2022, the Company announced that they have agreed to terminate the NSR purchase agreement, and the Company will not be pursuing the Arnett Creek NSR.

During the year ended September 30, 2022, the Company completed a Normal Course Issuer Bid ("NCIB"). A total of 1,163,782 common shares of the Company were purchased for a total cost of \$376, representing approximately 5% of the total shares issued and outstanding. The purchased shares were returned to treasury and cancelled, reducing the common shares from 23,275,641 to 22,114,141. On August 1, 2022, the Company has received approval from the Exchange to commence the renewal of NCIB. The bid period for the new NCIB will end on August 1, 2023, or earlier if the number of shares sought in the new NCIB has been obtained. Under the new NCIB, the Company plans to purchase an additional 5% or 1,105,707 common shares in accordance with applicable regulatory requirements.

On July 20, 2022, the Company entered into an agreement with Glenn Griesbach and Junita Tedy Asihto to purchase 100% interest in 62 mineral claims located in the Cadillac-Pontiac region (Quebec) for \$50 subject to a 2% Net Smelter Returns Royalty ("NSR Royalty"). The Company has an option to purchase back 1% NSR Royalty at any time by making a payment of \$1,000 to the vendors.

On August 18, 2022, the Company's board of directors adopted a new form share option plan (the "New Option Plan"), to replace the current share option plan to comply with the new TSXV policy for security-based compensation effective November 24, 2021.

On August 18, 2022, the Company's board of directors have adopted a new form Restricted Share Units Plan (the "RSU Plan"), to replace the current restricted share unit plan to comply with the new TSXV policy for security-based compensation effective November 24, 2021.

On August 19, 2022, the Company acquired 100% interest in additional 46 claims in the area from Glenn Griesbach and Junita Tedy Asihto for \$40 subject to a 2% NSR which can be reduced to 1% with a cash payment of \$1,000 at any time in the future.

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On September 15, 2022, the Company's directors incorporated a separate entity, Quebec Pegmatite Corporation ("QPC") to hold and develop mineral claims in the Corvette Lithium District in Quebec. QPC acquired 100% interest in 84 mineral claims for a cash payment of \$100 and issuance of 1 million common shares. A 3% NSR applies to the claims, but it may be reduced to 1.5% with a \$2,000 payment. QPC also acquired an additional 279 claims surrounding the 84 claims by map staking for a cash consideration of \$145. QPC may be spun out to current shareholders of the Company subject to regulatory approvals and market conditions.

On October 18, 2022, the Board authorized a Substantial Issuer Bid ("SIB") to buy back up to 7,500,000 common shares at \$0.45 per share. The purchase price was later amended, and the Offer is proceeding as a modified Dutch Auction between \$0.55 per share and \$0.65 per share in increments of \$0.01 within that range. On January 17, 2023, the Company announced successful completion of the SIB pursuant to which it bought back 5,192,307 common shares for cancellation for a total consideration of \$3,375. On January 24, 2023, the Company cancelled the shares bought back.

On January 20, 2023, the Company paid \$145 on behalf of QPC for acquisition 100% interest in 279 mineral claims surrounding the original 84 claims (collectively "the Vieux comptoir claims"). These claims have been purchased from a company controlled by the Chief Executive Officer ("CEO") of the Company. The Company also received \$33 on behalf of QPC for sale of the Vieux comptoir claims.

On February 2, 2023, pursuant to non-compliance in filing the annual reports, Growmax Agri Corp. ("GAC"), a subsidiary of the Company, was dissolved by the registrar of corporations.

On February 10, 2023, the Company filed a preliminary short form base shelf prospectus ("the Prospectus") to offer sale of common shares, warrants, subscription receipts, debt securities or any combination of such securities (collectively "the Securities") from time to time, during the 25-months period the Prospectus, including any amendments thereto, remains effective, in one or more series of issuances, with a total offering price of the Securities in the aggregate, of up to \$10,000. The specific terms of any Securities offered will be described in one or more shelf prospectus supplements (collectively or individually, as the case may be, a "Prospectus Supplement").

On August 9, 2023, the Company announced a substantial issuer bid offer, in which the Company will offer to purchase for cancellation up to \$3,750 of its outstanding common shares. The offer is being made of a "modified Dutch auction" and will purchase shares of not less than \$1.00 and not more than \$1.20 per outstanding common share. The offer is optional for all shareholders, who are free to choose whether to participate, how many shares to tender and, in the case of auction tenders, at what price to tender within the specified range.

#### **The Company is an investment fund**

The Company is now considered a "non-redeemable investment fund" as it meets the definition of a non-redeemable investment fund contemplated under the Securities Act (British Columbia) or the National Instrument 81-106 Investment Fund Continuous Disclosure ("NI 81-106") as the Company now invests for the purpose of being actively involved in the management of many issuers in which it invests.

#### **Investment strategy**

The Company has adopted an investment policy (the "Investment Policy") which was updated on February 1, 2023, to govern its investment activities and investment strategy. A description of the Investment Policy follows:

The Company may invest in equity, debt and convertible securities, which the Company intends will be acquired and held both for long-term capital appreciation and shorter-term gains. The Company seeks companies with potential, strong management, and involvement in a market segment that complements its macro position. A key aspect of the Company's investment strategy will be seeking undervalued companies backed by strong management teams and solid business models that can benefit from macro-economic trends.

The Company is to provide investors with long-term capital growth by investing in a portfolio of early stage or undervalued companies. It is planned that the Corporation will "unlock" value or "accelerate" growth of investee company as a partner.

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The Corporation will not operate their business; rather the Corporation will strive to complement management as an active participant generally assisting in every aspect of the business including providing board of director and capital market advisory services.

The Company's investment strategy will also include structuring and initiating deals focused on particular resources, themes, or regions as well as launching the development of businesses in select industries by providing assistance with the hiring of management teams, providing seed capital and facilitating the transition of such private companies to the public market.

#### **Implementation**

Prospective investments will be channelled through the Investment Committee.

Once a decision has been reached to invest in a particular situation, a short summary of the rationale behind the investment decision will be prepared by the Investment Committee and submitted to the Board. All investments shall be submitted to the Board for final approval. The Investment Committee will select all investments for submission to the Board and monitor the Company's investment portfolio on an ongoing basis and will be subject to the direction of the Board.

#### **Investment evaluation process**

In selecting securities for the investment portfolio of the Company, the Investment Committee will consider various factors in relation to any particular issuer, including:

- inherent value of its assets;
- proven management, clearly-defined management objectives and strong technical and professional support;
- future capital requirements to develop the full potential of its business and the expected ability to raise the necessary capital;
- anticipated rate of return and the level of risk;
- financial performance; and
- exit strategies and criteria.

#### **Conflicts of interest**

The Company has no restrictions with respect to investing in companies or other entities in which a member of the Company's management or Board may already have an interest or involvement. In the event that a conflict is determined to exist, the Company may only proceed after receiving approval from disinterested members of the Board. The Company is also subject to the "related party" transaction policies of the TSXV, which mandates disinterested shareholder approval for certain transactions.

#### **Monitoring and reporting**

The Company's Chief Financial Officer shall be primarily responsible for the reporting process whereby the performance of each of the Company's investments is monitored. Quarterly financial and other progress reports shall be gathered from each corporate entity, and these shall form the basis for a quarterly review of the Company's investment portfolio by the Investment Committee. Any deviations from expectation will be investigated by the Investment Committee and, if deemed to be significant, reported to the Board.

A full report of the status and performance of the Company's investments is to be prepared and presented to the Board at the end of each fiscal year.

#### **Amendment of investment policy**

The Company's Investment Policy may be amended with approval from its board of directors.

See section "RISK AND UNCERTAINTIES" for information on risk factors associated with the Company's business.

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See section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions relating to forward looking information.

#### **RESULTS OF OPERATIONS**

The Company had a net income of \$18,929 for the nine months ended June 30, 2023, (2022 – net loss of \$4,550). During the period ended June 30, 2023, the Company had gain relating to investments (comprised of fair value gain on investments, gain on sale of investments and loss on foreign exchange) of \$23,246 (2022 – loss of \$3,733).

The following table summarizes some of the major items comprising net income (loss) for the periods ended June 30, 2023, and 2022:

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<b>Income from investments:</b>				
Income (loss) from investments:	\$ 7,388	\$ (2,337)	\$ 23,246	\$ (3,733)
<b>General and administrative expenses:</b>				
General and administrative expenses	937	226	2,245	659
Income (loss) before other income (expenses)	6,451	(2,563)	21,001	(4,392)
Other income (expenses)	(4)	(1,523)	(2,072)	(158)
<b>Net income (loss) for the period</b>	<b>\$ 6,447</b>	<b>\$ (4,086)</b>	<b>\$ 18,929</b>	<b>\$ (4,550)</b>

The following table summarizes the items comprising income from investments for the periods ended June 30, 2023, and 2022:

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Fair value gain (loss) on investments	\$ 7,086	\$ 1,275	\$ 19,906	\$ (46)
Gain (loss) on sale of investments	302	(3,612)	3,340	(3,687)
	<b>\$ 7,388</b>	<b>\$ (2,337)</b>	<b>\$ 23,246</b>	<b>\$ (3,733)</b>

The following table summarizes the items comprising general and administrative expenses for the periods ended June 30, 2023, and 2022:

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Share based compensation	\$ 203	\$ -	\$ 578	\$ -
Professional and consulting fees	164	81	524	249
Office expenses	327	-	478	-
Management fees and employee benefits	89	77	267	196
Broker's commission	77	64	176	160
Transfer and filing fees	31	-	158	-
Other	33	4	50	54
Property investigation	13	-	13	-
	<b>\$ 937</b>	<b>\$ 226</b>	<b>\$ 2,245</b>	<b>\$ 659</b>

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The following table summarizes the items comprising other income (expense) for the periods ended June 30, 2023 and 2022:

	Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Loss on allowance on due from related parties	(15)	-	(1,569)	-
Loss on loan written off	21	-	(425)	-
Foreign exchange gain (loss)	(40)	267	(166)	260
Interest income	30	5	87	7
Dividend income	-	6	1	26
Legal settlements	-	(24)	-	(24)
Recovery of bad debts	-	-	-	1,350
Other expense	-	(1,777)	-	(1,777)
	\$ (4)	\$ (1,523)	\$ (2,072)	\$ (158)

### SUMMARY OF QUARTERLY FINANCIAL RESULTS

The Company's operating results from the last eight quarters are summarized as follows:

	Three months ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Net income attributable to the Owners of the Company	\$ 6,446	\$ 11,211	\$ 1,272	\$ 4,028
Basic and diluted earnings per share attributable to the Owners of the Company	0.37	0.60	0.06	0.18
Investments	42,198	33,738	19,294	16,601

	Three months ended			
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net income (loss) attributable to the Owners of the Company	\$ (4,086)	\$ 280	\$ (744)	\$ 527
Basic and diluted earnings (loss) per share attributable to the Owners of the Company	(0.20)	0.01	(0.03)	0.00
Investments	10,233	14,771	14,647	7,611

Over the past eight quarters, there has been significant fluctuation in the net income/loss of the Company primarily due to the fluctuation in the fair value of the investments and the impairments recorded on some of the private equity investments. The net income/loss of the Company ranged from a net income high of \$11,210 in the second quarter of the fiscal year 2023 to a loss of \$4,086 during the third quarter of the fiscal year 2022. High net income in the quarter ended March 31, 2023, is due to the unrealized gain on the fair value of the investments, and the high net loss during the quarter ended June 30, 2022, was due to the management's decision of disposing the unfavourable investments. Net income/loss of the Company has shown a fluctuating trend during the last eight quarters mainly attributable to of fair value losses on the investments and foreign exchange loss due to the weakening of the U.S. dollar vis-à-vis the Canadian dollar for the quarter. General and administrative ("G&A") expenses of the Company have fluctuated within a range of \$169 to \$937 per quarter.

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The following table summarizes some of the major items comprising net income (loss) for each of the eight most recently completed quarters:

	Three months ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Income from investments	\$ 7,388	\$ 14,037	\$ 1,821	\$ 2,598
General and administrative expenses	\$ 937	\$ 828	\$ 480	\$ 788
Other expense	\$ (4)	\$ (1,999)	\$ (69)	\$ (2,218)

	Three months ended			
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Income from investments	\$ (2,337)	\$ 377	\$ (1,773)	\$ -
General and administrative expenses	\$ 226	\$ 169	\$ 264	\$ (814)
Other income (expense)	\$ (1,523)	\$ 72	\$ 1,293	\$ (2,011)

#### Income from investments

Income from investments primarily consists of gain relating to investments (comprised of fair value gain on investments, gain/loss on sale of investments and loss on foreign exchange).

Income from investments is impacted by fair value gain (loss) on investments and gain (loss) on sale of investments.

- Fair value gain (loss) on investments – consists of unrealized gain (loss) due to changes in the fair market value of the Company's investments, and impairments recorded during the period.
- Gain (loss) on sale of investments – consists of the realized gain (loss) on the sale of the investments. The Company uses weighted average method for computing the cost of sales.

#### General & administrative expenses ("G&A expenses")

G&A expenses primarily comprise of share-based compensation, professional and consulting fees, management fees and employee benefits, and broker's commission. G&A expenses have shown a highly fluctuating trend over the last eight fiscal quarters of the Company. The primary reason for the fluctuation is the broker's commission paid on the investment related transactions, professional and consulting fees, and share-based compensation with respect to the stock options and restricted stock units granted to the directors, officers and consultants of the Company. The investment transactions are based on the investment policy and the strategic opportunities present in the market, thereby, making the related broker's commission uneven over the quarters. The overall fluctuation in the G&A expenses ranged from a low of (\$814) to a high of \$937. The proceeds received in G&A expenses during the quarter ended September 30, 2021, was as a result of the gain due to the discontinuation of the operations of APPSA, and the highest G&A expenses during the third quarter of the fiscal year 2023 was due to the fair value of the stock options issued during the period.

#### Other income (expense)

Other income (expense) primarily consists of foreign exchange gain (loss), loss on allowance on due from related parties, loss on loan written off, interest income, and dividend income.

The majority of other income (expense) is impacted by foreign exchange gain (loss), loss on allowance on due from related parties and loss on loan written off.

- Foreign exchange gain (loss) – although the Company's presentation currency is Canadian dollars, a significant amount of the Company's cash is held in U.S. dollars. Foreign exchange gain (loss) is greatly affected by the impact of changes in exchange rates on U.S. dollar denominated financial instruments

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The foreign exchange gain (loss) has shown fluctuating trend over the last eight fiscal quarters primarily due to the high fluctuations between Canadian and US dollars. The Company has gained from the changes in the fair value of its investments during the last four fiscal quarters primarily due to the appreciation in the value of its investment in PMET partially set off by the impairment of its investments in private entities. The Company has been bearing realized losses on the sale of its investments until the quarter ended December 31, 2022, where the Company sold a portion of its investment in PMET and realized significant gains.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2023, the Company had net working capital of \$37,452 (September 30, 2022 – \$21,132) including cash and cash equivalents of \$287 (September 30, 2022 - \$4,259). The Company has enough funds to support compliance and general and administrative expenses for the current fiscal year but may require additional financing to fulfil additional investment requirements for the next fiscal year.

As of the date of this report, there were 17,369,552 common shares, 1,700,000 stock options, 2,205,000 restricted stock units and 1,883,076 share warrants outstanding.

#### **Issued and outstanding shares**

##### **Transactions during and after the period ended June 30, 2023.**

On January 10, 2023, pursuant to exercise of the stock options, the Company issued 450,000 common shares for cash consideration of \$139. Upon exercise, \$100 of contributed surplus was reclassified to share capital.

On January 18, 2023, the Company announced that it successfully purchased and cancelled a total of 5,192,307 common shares at a price of \$0.65 per share under its substantial issuer bid for a total price of \$3,376. The difference of \$43,780 between the purchase price paid and the original cost was recorded as a credit to deficit.

##### **Transactions during the year ended September 30, 2022**

During the year ended September 30, 2022, the Company repurchased 1,163,782 common shares for \$376 through a normal course issuer bid ("NCIB") and returned them to treasury. The difference between purchase price paid and the original cost was recorded as a credit to deficit.

#### **Shares in escrow**

As of the date of this report, the Company does not have any shares held in a Value Security Escrow agreement.

#### **Stock options**

##### **Transactions during and after the period ended June 30, 2023.**

On January 10, 2023, pursuant to the exercise of the stock options, the Company issued a total of 450,000 shares for an exercise value of \$139. The corresponding fair value of \$100 was transferred from reserves to share capital.

On January 23, 2023, the Company granted 250,000 stock options to the Corporate Development Officer ("CDO") of the Company. The options are exercisable at \$0.75 per share, vests immediately, and expires on January 23, 2028.

##### **Transactions during the year ended September 30, 2022**

On September 1, 2022, the Company granted a total of 1,900,000 stock options to its directors, officers, and consultants. The stock options can be exercised at \$0.31 per share until September 1, 2025. The options vested immediately. The

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Company expensed \$420 as the fair value of the options and the amount was charged against the stock-based compensation reserve.

#### **Share warrants**

As at June 30, 2023 and the date of this report, the Company had 1,883,076 warrants outstanding (September 30, 2022 - 1,883,076).

#### Transactions during and after the period ended June 30, 2023

No warrants were issued during the three months period ended June 30, 2023.

#### Transactions during the year ended September 30, 2022

No warrants were issued during the year ended September 30, 2022

#### **Restricted Stock Units**

#### Transactions during and after the period ended June 30, 2023

On May 25, 2023, the Company issued a total of 840,000 RSU to the directors, officers, and consultants of the Company. The RSU are subject to the terms of the plan and applicable securities law hold periods and will vest on May 25, 2024. These RSUs were valued at an amount of \$647 to be expensed equally over the vesting period.

On October 19, 2022, the Company issued a total of 1,365,000 RSU to the directors, officers, and consultants of the Company. The RSU shall vest on October 19, 2023. These RSUs were valued at an amount of \$567 to be expensed equally over the vesting period.

The RSU were valued at the trading price of the common share of the Company on the date of the issuance and will be expensed equally over the vesting period. During the period ended June 30, 2023, the Company expensed \$458 (2022 - \$Nil) as the vested value of the RSU.

#### Transactions during the year ended September 30, 2022

No RSU were issued during the year ended September 30, 2022

#### **Cash flow activities:**

#### For the nine months ended June 30, 2023:

Cash balances decreased by \$3,972 and \$8,977 during the period ended June 30, 2023, and 2022, respectively.

#### Operating activities

During the nine months ended June 30, 2023, the Company received \$702 compared to an amount of \$9,250 used for nine months ended of June 30, 2022, for operating activities (which includes changes in non-cash operating items). The inflow of cash for operating activities during the nine months ended June 30, 2023, is primarily attributable to the partial sale of Company's investment in PMET while the cash used during the nine months ended June 30, 2022, was due to the purchase of investments and general and administrative expenses (see "General and administrative expenses" section above).

#### Investing activities

During the nine months ended June 30, 2023, the Company used an amount of \$1,437 compared to receiving an amount of \$225 for nine months ended of June 30, 2022. The cash inflow comprises of an increase in loan receivable balances.

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#### Financing activities

During the nine months ended June 30, 2023, the Company used cash of \$3,237 from net cash flow from financing activities. The cash was used in the SIB to buy back the shares of the Company. There were no cash flows from financing activities in the nine months ended June 30, 2022.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2023 or as of the date of this report.

#### TRANSACTIONS WITH RELATED PARTIES

The amounts due to/from related parties are amounts due to the directors and officers. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in the Financial Statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at June 30, 2023, due from related parties of \$279 (September 30, 2022-Nil), of which the Company has a balance of \$266 due from an investment in which the Company holds a majority interest (September 30, 2022 - \$Nil). This amount bears interest at a rate of 4%.

	As at	
	June 30, 2023	September 30, 2022
Due from related company -Canuck Lithium Corp.	\$ 266	\$ -
Due from Company controlled by CFO	13	-
	<b>\$ 279</b>	<b>\$ -</b>

As at June 30, 2023, due to related parties of \$153 (September 30, 2022 – \$314) comprises of amounts payable to companies owned directly or indirectly by key management personnel and parties related to directors. These amounts are non-interest bearing and due on demand.

	As at	
	June 30, 2023	September 30, 2022
Company related to a director - Balakrishnan Desmond	104	148
Party related to the Chief Executive Officer	38	114
Companies controlled by directors – Chris Cooper	10	7
Corporate development officer – Milan Malhi	-	18
Party related to a director – Desmond Balakrishnan	-	12
Company controlled by Chief Financial Officer	-	5
Due to Related Company – Quebec Pegmatite Corp.	-	10
	<b>\$ 153</b>	<b>\$ 314</b>

Remuneration to the Company's related parties was as follows:

	Nine months ended	
	June 30, 2023	June 30, 2022
Expenses paid or accrued to directors of the Company, senior officers and companies with common directors:		
Share based compensation	\$ 518	\$ -
Management fees and employee benefits	268	180
Professional fees	215	22
Consulting fees	69	62
	<b>\$ 1,070</b>	<b>\$ 264</b>

## COLOURED TIES CAPITAL INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

As at and for the three and nine months ended June 30, 2023

Share based payments were paid or accrued to the following:

	Nine months ended	
	June 30, 2023	June 30, 2022
CEO	\$ 246	\$ -
CFO	22	-
CDO	203	-
Director – Christopher Cooper	24	-
Director – Bala Pratap Reddy	23	-
	\$ 518	\$ -

Management fees consisted of the following:

	Nine months ended	
	June 30, 2023	June 30, 2022
Company controlled by CEO	\$ 190	\$ 140
Company controlled by CFO	47	41
Company controlled by CDO	31	-
	\$ 268	\$ 181

Professional fees were paid or accrued to the following:

	Nine months ended	
	June 30, 2023	June 30, 2022
Company where a director is a partner - Balakrishnan Desmond	\$ 160	\$ -
Company controlled by CFO	55	22
	\$ 215	\$ 22

Consulting fees consisted of the following:

	Nine months ended	
	June 30, 2023	June 30, 2022
Company controlled by a director - Christopher Cooper	\$ 25	\$ 20
Company controlled by a director - Bala Pratap Reddy	22	18
Party related to a director - Balakrishnan Desmond	22	24
	\$ 69	\$ 62

On March 31, 2023, the Company sold all of the mineral claims it held to QPC for \$90. Pursuant to the sale, QPC has agreed to pay the full consideration to the Company within 120 days of the sale. During the period ended June 30, 2023, the management of the Company assessed the recoverability of the above amount and recorded a \$90 allowance for doubtful accounts based on the lifetime expected credit losses of this instrument in accordance with level 3 of the fair value hierarchy.

During the period ended June 30, 2023, the Company advanced \$1,150 to QPC by way of promissory note. The funds have been advanced to assist QPC in its mineral exploration projects. The amount bears interest at the rate of 4% and is due to be payable on December 31, 2024. As at June 30, 2023, the Company accrued \$13 as interest receivable on the promissory note. During the period ended June 30, 2023, the management of the Company assessed the recoverability of the above amount and recorded a \$1,175 allowance for doubtful accounts based on the lifetime expected credit losses of this instrument in accordance with level 3 of the fair value hierarchy.

## COLOURED TIES CAPITAL INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

As at and for the three and nine months ended June 30, 2023

During the period ended June 30, 2023, the Company advanced \$300 to Flowing Lithium Exploration Inc. ("FLE") by way of promissory note. The funds have been advanced to assist FLE in its mineral exploration projects. The amount bears interest at the rate of 4% and is due to be payable on December 31, 2024. As at June 30, 2023, the Company accrued \$4 as interest receivable on the promissory note. During the period ended June 30, 2023, the management of the Company assessed the recoverability of the above amount and recorded a \$304 allowance for doubtful accounts based on the lifetime expected credit losses of this instrument in accordance with level 3 of the fair value hierarchy.

During the period ended June 30, 2023, the Company entered into a loan agreement with Canuck Lithium Corp ("CLC"). The funds have been advanced \$265 to assist CLC in its mineral exploration projects. The amounts bears interest at a rate of 4% and is due to be payable on December 31, 2023. As at June 30, 2023, the Company accrued \$1 as interest receivable on the promissory note.

The Company has entered into transactions to acquire common outstanding shares of companies related to directors, the table below highlights the amount of total shares acquired, and cost for each related company.

Stocks acquired from related parties consisted of the following:

	Nine months ended June 30, 2023	
	Shares acquired	Cost
Beyond Medical Inc	770,000	\$ 922,586
AuAg Exploration Inc.	3,500,000	460,000
Canadian Towers and Fiber Optics Inc.	7,000,000	350,000
Hertz Lithium Inc	5,203,500	719,517
Navco Pharmaceuticals Inc.	333,333	50,000
Quebec Pegmatite Corp	10,000,000	10,000
	26,806,833	\$ 2,512,104

### **CRITICAL ACCOUNTING ESTIMATES**

For a detailed summary of the Company's significant accounting estimates, the readers are directed to Note 3 of the Financial Statements for the year ended September 30, 2022, that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 3 of the Financial Statements for the year ended September 30, 2022, that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **RISKS AND UNCERTAINTIES**

The following are certain factors relating to the business of the Company. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deem immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

An investment in the Company is speculative. An investment in the Company will be subject to certain material risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Company.

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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#### **No Operating History as an Investment Issuer**

The Company does not have any record of operating as an investment issuer or undertaking merchant banking operations. As such, the Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management or the Board does not guarantee future success.

#### **Portfolio Exposure and Sensitivity to Macro-Economic Conditions**

Given the nature of the Company's proposed investment activities, the results of operations and financial condition of the Company will be dependent upon the market value of the securities that will comprise the Company's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect a particular sector. Various factors affecting a sector could have a negative impact on the Company's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Company may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in the Company's investment gains and revenues (if any).

Macro factors such as fluctuations in commodity prices and global political and economic conditions could also negatively affect the Company's portfolio of investments. The Company may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the Company's portfolio of investments. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time. Company-specific and industry-specific risks that may materially adversely affect the Company's investment portfolio may have a materially adverse impact on operating results. The factors affecting current macro-economic conditions are beyond the control of the Company.

#### **Cash Flow and Revenue**

The Company's revenue and cash flow is generated primarily from financing activities, dividends and/or royalty payments on investments and proceeds from the disposition of investments. The availability of these sources of income and the amounts generated from these sources are dependent upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Company, or if the value of its investments decline, resulting in losses upon disposition.

#### **Private Issuers and Illiquid Securities**

The Company may invest in securities of private issuers, illiquid securities of public issuers and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company. Many of the investments made by the Company may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Company or other investors.

#### **Volatility of Stock Price**

The market price of the Common Shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment.

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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#### **Trading Price of the Common Shares Relative to Net Asset Value**

The Company is neither be a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the Common Shares, at any time, may vary significantly from the Company's net asset value per Common Share. This risk is separate and distinct from the risk that the market price of the Common Shares may decrease.

#### **Available Opportunities and Competition for Investments**

The success of the Company's operations is dependent upon, among other things: (a) the availability of appropriate investment opportunities; (b) the Company's ability to identify, select, acquire, grow and exit those investments; and (c) the Company's ability to generate funds for future investments. The Company can expect to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Company, will have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Company may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Company's ability to generate desired returns. There can be no assurance that there will be a sufficient number of suitable investment opportunities available to invest in or that such investments can be made within a reasonable period of time. There can also be no assurance that the Company will be able to identify suitable investment opportunities, acquire them at a reasonable cost or achieve an appropriate rate of return. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns from investments will be diminished to the extent that the Company is unable to find and make a sufficient number of investments.

#### **Share Prices of Investments**

Investing in securities of public companies entails risks due to potential volatility in share prices. The Company's investment portfolio may not have a sustainable active trading market for the subject shares, and their trading prices may be subject to wide fluctuations based on various factors beyond the Company's control, such as quarterly variations in the companies' results of operations, changes in earnings, exploration and development results, analyst estimates, conditions in the resource industry, and overall market or economic conditions. In recent years, equity markets have experienced extreme price and volume fluctuations, which have significantly impacted market prices, often without regard to the operating performance of specific companies. Such market fluctuations could potentially have adverse effects on the market price of the Company's investments.

#### **Concentration of Investments**

Other than as described herein, there are no restrictions on the proportion of the Company's funds and no limit on the amount of funds that may be allocated to any particular investment. The Company may participate in a limited number of investments and, consequently, its financial results may be substantially adversely affected by the unfavourable performance of a single investment. Completion of one or more investments may result in a highly concentrated investment in a particular company or geographic area, resulting in the performance of the Company depending significantly on the performance of such company or geographic area.

#### **Dependence on Management, Directors and Investment Committee**

The Company will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and deal flow they generate during the normal course of their activities and the synergies that exist amongst their various fields of expertise and knowledge. Accordingly, the Company's success may depend upon the continued service of these individuals to the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm its ability to maintain or grow assets and raise funds.

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

#### **Additional Financing Requirements**

The Company may have ongoing requirements for funds to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or debt financing. There are no assurances that additional funding will be available at all, on acceptable terms or at an acceptable level. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on its ability grow its investment portfolio.

#### **No Guaranteed Return**

There is no guarantee that an investment in the securities of the Company will earn any positive return in the short-term or long-term. The task of identifying investment opportunities, monitoring such investments and realizing a significant return is difficult. Many organizations operated by persons of competence and integrity have been unable to make, manage and realize a return on such investments successfully. The past performance of management of the Company provides no assurance of its future success.

#### **Due Diligence**

The due diligence process undertaken by the Company in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Company will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Company will rely on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

#### **Exchange Rate Fluctuations**

A proportion of the Company's investments will be made in Canadian dollars and the Company may also invest in securities denominated or quoted in U.S. dollars or other foreign currencies. Changes in the value of the foreign currencies in which the Company's investments are denominated could have a negative impact on the ultimate return on its investments and overall financial performance.

#### **Non-Controlling Interests**

The Company's investments are likely to consist only of debt instruments and equity securities of companies that it does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or the management of the investee company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

#### **Potential Conflicts of Interest**

Certain of the directors and officers of the Company are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Company. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Company or companies in which the Company may invest, management of investment

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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funds, purchases and sales of securities and investment and management counselling for other clients. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

#### **Potential Transaction and Legal Risks**

The Company intends to manage transaction risks through allocating and monitoring its capital investments in circumstances where the risk to its capital is minimal, carefully screening transactions, and engaging qualified personnel to manage transactions, as necessary. Nevertheless, transaction risks may arise from the Company's investment activities. These risks include market and credit risks associated with its operations. An unsuccessful investment may result in the total loss of such an investment and may have a material adverse effect on the Company's business, results of operations, financial condition, and cash flow.

The Company may also be exposed to legal risks in its business, including potential liability under securities or other laws and disputes over the terms and conditions of business arrangements. The Company also faces the possibility that counterparties in transactions will claim that it improperly failed to inform them of the risks involved or that they were not authorized or permitted to enter into such transactions with the Company and that their obligations to the Company are not enforceable. During a prolonged market downturn, the Company expects these types of claims to increase. These risks are often difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time. The Company may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against the Company could have a material adverse effect on its results of operations and financial condition.

#### **Foreign Currency Risk**

The Company operates in different countries and enters into transactions in different currencies. In particular, the Company currently conducts business in U.S. dollars and Canadian dollars. The Company holds cash and investments in these various currencies and often converts its holdings into other currencies. Accordingly, the Company is exposed to foreign currency risks due to fluctuations in exchange rates.

#### **Results to Date and Additional Requirement for Capital**

The Company has a relatively short history and has incurred significant losses to date. Due to the nature of its business, there can be no assurance that the Company will be profitable in the future. The Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. The Company may need to raise additional capital in the future to fund the expected capital requirements on future investments. The future of the Company may therefore be dependent upon its ability to raise the required funding in the form of equity, debt, joint ventures, or a combination thereof. The Company has limited debt capacity and therefore a significant part of its future may need to be financed primarily through equity or third-party joint ventures, though some debt may be obtained. There is no assurance that additional financing will be available and, if available, on terms acceptable to the Company. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

#### **Substantial Capital Requirements**

The Company may require substantial capital expenditures for future activities. As future capital expenditures will be financed out of possible cash generated from operations, possible borrowings and possible future equity sales, the Company's ability to make capital expenditures is dependent on, among other factors: (i) the overall state of the capital markets; (ii) interest rates; (iii) the Company's ability to obtain debt financing; and (iv) tax burden due to current and future tax laws. Further, if the Company's resources decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business financial condition, results of operations and prospects.

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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#### **Dependence on Key Personnel**

The Company has a small management team and the loss of a key individual or its inability to attract suitably qualified personnel in the future could materially and adversely affect the Company's business. The Company may be particularly vulnerable to the loss of its key employees, officers, and directors for which no insurance can or has been obtained. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

#### **Share Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual severe fluctuations in price will not occur.

#### **Conflicts of Interest**

Certain directors and officers are directors and/or officers of other companies and as such may, in certain circumstances, have a conflict of interest. The resolution of any such conflict will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

#### **Management of Growth**

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

#### **Future Sales of Common Shares by the Company**

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company or negatively affect the market price of the Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine the provisions attaching to any series of the preferred shares and the price and the terms of issue of further issuances of Common Shares. Also, additional Common Shares will be issued by the Company on the exercise of stock options under the Company's stock option plan, or pursuant to other share compensation arrangements.

#### **Reliance on Attracting and Retaining Qualified Personnel**

The Company may have difficulty attracting and retaining qualified local personnel to work on its projects due to shortages of qualified workers and intense competition for their services and it may also be difficult to attract, employ and retain qualified expatriate workers. In the event of a labour shortage, the Company could be forced to increase wages in order to attract and retain employees, which would result in higher operating costs and reduced profitability. A failure by the Company to attract and retain a sufficient number of qualified workers could have a material adverse effect on the Company's operating results, financial condition and prospects.

#### **Third Party Credit Risk**

The Company is exposed to third party credit risk through its contractual arrangements with various parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow.

## **COLOURED TIES CAPITAL INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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#### **Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

#### **FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; success of exploration activities; requirements for additional capital; government regulation of mining operations. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in worldwide prices and demand for minerals; our lack of operating history; the actual results of current exploration activities; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; possible variations in grade and or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes or other risks of the mining industry; delays in obtaining government approvals or financing or incompleteness of development or construction activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

#### **MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim condensed consolidated financial statements and the audited annual consolidated financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

#### **FINANCIAL AND OTHER INSTRUMENTS**

##### **Fair values**

Per IFRS 7 - *Financial Instruments: Disclosures*, a three-level hierarchy that reflects the significance of inputs used in making fair value measurements is required. The three levels of fair value hierarchy are as follows:

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

## COLOURED TIES CAPITAL INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

As at and for the three and nine months ended June 30, 2023

#### Financial instrument risks

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value Measurements Using			Total \$
	Quoted Prices in Active Markets For Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	
June 30, 2023				
Assets:				
Cash and cash equivalents	287	-	-	287
Amounts receivable	28	-	-	28
Investments - Public	35,467	-	-	35,467
Investments - Private	-	-	5,905	5,905
Investments - Derivatives and Debt securities	-	826	-	826
Due from related parties	-	279	-	279
Liabilities:				
Margin facility	5,081	-	-	5,081
Accounts payable and accrued liabilities	-	149	-	149
Due to related parties	-	153	-	153
September 30, 2022				
Assets:				
Cash and cash equivalents	4,259	-	-	4,259
Amounts receivable	3	-	-	3
Investments - Public	14,286	-	-	14,286
Investments - Private	-	-	1,736	1,736
Investments - Derivatives and debt securities	-	436	-	436
Loan receivable	-	762	-	762
Liabilities:				
Accounts payable and accrued liabilities	-	59	-	59
Due to related parties	-	314	-	314

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

#### 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 obligation. The Company's exposure to credit risk is related to its cash and cash equivalents and loan receivable. The carrying value of the financial assets represents the maximum exposure to credit risk. The Company's exposure to credit risk is considered to be low-moderate, given the size and nature of the various counterparties involved and their history of performance.

As at June 30, 2023, all of the Company's cash amounting to \$272 (September 30, 2022 - \$3,311) is held with a financial institution in Canada that was assigned a long-term issuer default rating of AAA (Fitch Ratings), the cash equivalents amounting to \$15 (September 30, 2022 - \$948) are held with the investment brokers.

## COLOURED TIES CAPITAL INC.

### MANAGEMENT'S DISCUSSION & ANALYSIS

As at and for the three and nine months ended June 30, 2023

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#### 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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash. All of the Company's financial liabilities are short-term and without fixed terms of repayment.

To date, the Company has relied on cash flows from operations, equity financing, and sale of assets to fund its operations and capital expenditures.

#### 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. The Company's marketable securities bear market price risk. The maximum exposure to this risk is equal to the carrying value of the investment.

#### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has a margin facility bearing interest rate of prime lending rate plus 3%. As of June 30, 2023, the Company had a payable balance of \$5,081 (September 30, 2022 - \$Nil) in the margin facility.

#### Currency risk

The Company is exposed to financial risk related to fluctuations in foreign exchange rates. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at June 30, 2023, the Company's head office held United States dollars ("US\$") \$56 (September 30, 2022 - US\$2,399) of foreign currency in cash and cash equivalents and US\$1,585 (September 30, 2022 - US\$1,675) in investments. The Company estimates that a 5% weakening of the Canadian dollar at June 30, 2023, would have decreased the Company's reported net loss for the period ended June 30, 2023 by approximately \$109 (September 30, 2022 - \$278). A 5% strengthening of the Canadian dollar at June 30, 2023 would have had an equal but opposite effect.

### **OTHER MATTERS**

#### **Legal proceedings**

The company has recently planned to initiate legal proceedings aimed at enforcing a personal guarantee on an outstanding loan amount that has not been repaid as per the agreement.

On August 9, 2022, a claim was filed in the Provincial Court of British Columbia (Small Claims Court) by Alfred & Company Advisors Inc. ("ACO") against the Company. On May 1, 2022, the Company entered into a management consulting agreement with ACO (the "CT Contract"). The claim was for unpaid fees for the months of July 2022 pursuant to the CT Contract, as well as payments in the event of termination without just cause. The amount claimed was \$31, plus an extra for filing and service fees, for a total amount claimed of \$32. The Company intends to defend against these claims and cannot at this time determine the outcome.

#### **Contingent liabilities**

The Company is not aware of any contingent liabilities.

**COLOURED TIES CAPITAL INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

As at and for the three and nine months ended June 30, 2023

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**PROPOSED TRANSACTIONS**

There are currently no proposed transactions.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Detailed listings of general and administrative expenses and are provided in the Financial Statements of the Company.

**OTHER REQUIREMENTS**

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).