

## **FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018**

**Form 51-102F1**

The following discussion is management's assessment and analysis of the results of operations and financial conditions of Fitch Street Capital Corp. (the "Company") and should be read in conjunction with the Company's audited annual financial statements and related notes thereto for the year ended March 31, 2019 and unaudited financial statements for the six months ended September 30, 2019. These unaudited financial statements have been prepared in accordance with International Financial Reports Standards ("IFRS") as issued by the International Accounting Standards Board and can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

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

All amounts are in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is November 29, 2019.

### **Forward-Looking Statements**

This MD&A contains forward-looking statements that are based on the Company's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in ore grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

### **Overview**

#### **Description of the Business**

The Company was incorporated under the Business Corporations Act of British Columbia on June 20, 2007. The Company is in the development stage and was classified as a Capital Pool Company as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange").

On June 13, 2008, the Company was listed on the Exchange. The Company was required to complete a Qualifying Transaction (as defined) by June 13, 2010. The Company did not complete a Qualifying Transaction within the prescribed time frame and the Company's listing transferred to NEX Board of the TSX.V on October 26, 2010. As a result, 1,333,333 common shares that were subscribed by the directors were cancelled.

On June 21, 2016, the Company consolidated its outstanding shares on a one-new-for-four-old basis.

On February 7, 2018, the Company completed a financing for gross proceeds of \$791,000 through the issuance of 11.3 million shares of the company at a price of \$0.07 per share. Finders' fees to arm's length third parties consisting of \$54,600 and 780,000 brokers' options, which allow the holder to acquire, for seven cents per option, one common share for a period of 24 months.

## **FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018**

**Form 51-102F1**

On July 30, 2019, the Company completed a non-brokered private placement financing for gross proceeds of \$500,000 in a bridge financing through the issuance of 3,703,703 common shares at a price of \$0.135 per share. The net proceeds of the bridge financing will be used to facilitate the its qualifying transaction including the payment of existing payables

In connection with the private placement, the Company paid a finders' fees to arm's-length third parties consisting of \$40,000 cash and 296,296 brokers' options, each option allowing the holder to acquire one common share at price of \$0.135 for a period of 24 months.

### **Highlights**

On December 17, 2018, the Company entered into a definitive Share Exchange Agreement. (the "Agreement") with Pure Extraction Inc. and Pure Extraction Ltd. (together known as the "Targetcos" or "Pure Extraction"), the shareholders of Pure Extraction Ltd., and the shareholders of Pure Extraction Inc. with respect to the proposed acquisition of the Targetcos by the Company (the "Transaction").

### Summary of the Transaction

Under the terms of the Transaction, Fitch will acquire all of the issued and outstanding shares of the Targetcos (the "Pure Shares") from the shareholders of Targetcos. In consideration for the Pure Shares, Fitch will issue to the shareholders of the Targetcos pro rata an aggregate of 3,000,000 common shares of the Company (the "Fitch Shares") at a deemed value of \$0.165 per share. In addition, Fitch will issue to the shareholders of the Targetcos pro rata an aggregate of 1,000,000 Fitch Shares if the Targetcos generate cumulative gross revenues greater than \$2,000,000 within 18 months from execution of the Agreement at a deemed value of \$0.165 per share.

The Transaction is subject to a number of conditions precedent, including the approval of the TSX Venture Exchange (the "Exchange").

Upon closing, the name of Company will be changed to "Pure Extraction Corp." or such other name which is acceptable to the directors of Fitch and the Targetcos, the Exchange and the registrar of companies for British Columbia.

All Fitch Shares issued pursuant to the Transaction will be subject to restrictions on resale as set out in the Agreement and may be subject to Exchange-imposed restrictions on resale. Some of the Fitch Shares to be issued to the shareholders of the Targetcos pursuant to the Transaction may also be subject to time escrow provisions imposed pursuant to the policies of the Exchange.

The Transaction is expected to qualify as the Company's Qualifying Transaction (the "Qualifying Transaction"). Since Fitch and the Targetcos are arm's length to each other, Fitch is not required to obtain shareholder approval for the Transaction.

### Concurrent Financing

Concurrent with the closing of the Transaction, Fitch intends to complete a financing to raise up to \$2,000,000 (the "Concurrent Financing") through the issuance of up to 14,814,815 Fitch Shares at \$0.135 per share. The net proceeds of the Concurrent Financing will be used to fund the acquisition of the Targetcos', costs associated with the Qualifying Transaction and to provide general working capital.

**FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018****Form 51-102F1**Finders' Fee and Consulting Fee

Subject to Exchange approval, Fitch anticipates issuing an aggregate of 400,000 Fitch Shares to certain arm's length third parties as finders' fees and consulting fees payable in connection with the Transaction in accordance with Exchange policies.

In addition, the Company will pay finder's fees of 8% cash and 8% finders' warrants in connection with the Concurrent Financing in accordance with applicable securities laws and the policies of the Exchange. Each finders' warrant payable will allow the holder to purchase a Fitch Share at a price of \$0.135.

Secured Loan

Subject to prior acceptance of the Exchange and the satisfaction of all conditions of the Exchange in respect of the same, Fitch has agreed to provide a secured loan to the Targetcos in the principal amount up to \$225,000 (the "Loan"). The proceeds of the Loan shall be used by the Targetcos to fund its operating expenses. The Loan shall accrue interest at a rate of 10% per annum, compounded annually and will become due at the earliest of the receipt of final approval of the Exchange of the Qualifying Transaction or January 31, 2020 unless sooner determined due to the occurrence of an event or default, or extended by the Lender as set out in the loan agreement dated November 21, 2018 between the Targetcos and Fitch. The Loan will be secured by a general security agreement and any other security that Fitch may reasonably require from the Targetcos from time to time.

**Selected Financial Information**

The following financial data is derived from the Company's audited annual financial statements for the years ended March 31, 2019, 2018 and 2017 respectively.

Years Ended March 31,	2019	2018	2017
	\$	\$	\$
			(Restated)
Net revenues	-	-	-
Net loss	(87,261)	(94,001)	(44,397)
Total assets	483,384	529,739	32,083
Loss per Share	(0.01)	(0.03)	(0.03)
Cash dividends per share	0.00	0.00	0.00

**FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018****Form 51-102F1****Summary of Quarterly Results**

The following is a summary of the results from the eight previously completed financial quarters:

	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Revenues	\$Nil							
Net income (loss)	(338,765)	(164,904)	(59,836)	(19,445)	(8,464)	448	(33,209)	(14,702)
Income (Loss) per share (basic and diluted)	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	0.00	(0.01)	(0.01)

**Results of Operations for the Three Months ended September 30, 2019 and 2018**

For the three months ended September 30, 2019, the Company incurred an operating loss of \$338,765 (2018 - \$8,464).

Expenses and their respective changes as follow:

- Accounting, audit and legal \$6,000 (2018 – \$795);
- Listing and filing fees of 7,605 (2018 - \$2,279);
- Office and miscellaneous \$6,037 (2018 - \$4,573);
- Stock-base compensation \$221,000 (2018 - \$nil);
- Transaction costs \$97,480 (2018 - \$nil)
- 

The Company incurred higher expenses in the three month period ended September 30, 2019 due to costs relating to the qualifying transaction and the stock-based compensation recorded for a stock option grant.

**Results of Operations for the Six Months ended September 30, 2019 and 2018**

For the six months ended September 30, 2019, the Company incurred an operating loss of \$503,669 (2018 - \$8,016).

Expenses and their respective changes as follow:

- Accounting, audit and legal \$14,800 (2018 – \$3,795);
- Listing and filing fees of 8,945 (2018 - \$2,279);
- Office and miscellaneous \$10,868 (2018 - \$9,091);
- Stock-base compensation \$221,000 (2018 - \$nil);
- Transaction costs \$245,980 (2018 - \$nil)
- Transfer agent \$2,076 (2018 - \$1,563);
- Write-off of prior year's accounts payable \$nil (2018 - \$8,712)

**Liquidity**

As at September 30, 2019, the Company had working capital of \$580,050 (March 31, 2019 - \$402,719). The Company has a cash balance of \$434,126 (March 31, 2019 - \$262,429). The Company does not have any material expenditure commitments over the near term or long term.

**FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018****Form 51-102F1****Contractual Obligations**

The Company has no material contractual obligations.

**Share Capital**

The following tables summarize the Company's common share, warrants and stock option transactions for the year ended March 31, 2019, as at September 30, 2019 and November 29, 2019;

Common Shares:

<b>Balance, March 31, 2018, March 31, 2019</b>	<b>12,623,082</b>
Issued for cash	3,703,703
<b>Balance, September 30, 2019 and November 29, 2019</b>	<b>16,326,785</b>

On July 30, 2019, the Company completed a non-brokered private placement financing for gross proceeds of \$500,000 in a bridge financing through the issuance of 3,703,703 common shares at a price of \$0.135 per share. In connection with the private placement, the Company paid a finders' fees to arm's-length third parties consisting of \$40,000 cash and 296,296 brokers' options, each option allowing the holder to acquire one common share at price of \$0.135 for a period of 24 months.

The brokers' options have been determined at fair value of \$45,000 based upon the Black-Scholes method using the following assumptions noted below:

Risk-free interest rate	1.58%
Expected stock price volatility	192%
Expected dividend yield	0.00%
Expected life of options	2 years

During the year ended March 31, 2018, the Company completed a private placement for gross proceeds of \$791,000 through the issuance 11,300,000 shares at a price of \$0.07 per share. In connection with the private placement, the Company paid finders' fees of \$54,600 and issued 780,000 brokers' options.

The brokers' options have been determined at fair value of \$113,000 based upon the Black-Scholes method using the following assumptions noted below:

Risk-free interest rate	1.83%
Expected stock price volatility	134%
Expected dividend yield	0.00%
Expected life of options	2 years

Effective June 22, 2016, the Company consolidated its issued and outstanding shares on the basis of one post-consolidated common share for every four pre-consolidated common shares.

During the year ended March 31, 2018, the Company completed a private placement by issuing 11,300,000 shares, of which 825,000 shares are subject to escrow. As at September 30, 2019, 1,358,332 common shares are escrowed.

Warrants:

No warrants were issued during the six-month period ended September 30, 2019 and 2018. There were no outstanding warrants as at March 31, 2019, September 30, 2019 and as at November 29, 2019.

**FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018****Form 51-102F1**

Brokers' options:

During the six months ended September 30, 2019, the Company issued 296,296 brokers' options as finders' fees. The brokers' options allowed the holder to acquire for \$0.135 per option, one common share for a period of 24 months.

During the year ended March 31, 2018, the Company issued 780,000 brokers' options as finders' fees. The brokers' options allowed the holder to acquire for \$0.07 per option, one common share for a period of 24 months.

Brokers' options activity for the six months are as follows:

Number outstanding at March 31, 2019	Granted	Exercised	Number outstanding at September 30, 2019	Weighted Average Exercise price
780,000	296,296	-	1,076,296	\$0.09

As at September 30, 2019, the following brokers' options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of brokers' options	Weighted Average Remaining Years
February 6, 2020	\$0.070	780,000	0.35
July 30, 2021	\$0.135	296,296	1.80
	\$0.088	1,076,296	0.75

Stock Options:

Stock Option Plan

During the six-month period ended September 30, 2019, the Company granted 1,260,000 incentive stock options with a exercise price of \$0.135. The fair market value of these options was calculated at \$221,000 and was determined on the date of issuance using the Black-Scholes Option Pricing Model with the following assumptions: 1.54% risk-free interest rate, expected life of 5 years, 192% annualized volatility and 0% dividend rate.

At September 30, 2019, the following stock options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise price	Number of options outstanding	Weighted Average Remaining Years
July 19, 2024	\$ 0.135	1,260,000	4.81

Further details on the Company's share capital can be found in Note 6 in the audited annual financial statements for the year ended March 31, 2019 and Note 6 of the unaudited financial statements for the six month period ended September 30, 2019.

## **FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018**

**Form 51-102F1**

### **Related Party Transactions**

During the six-month period ended September 30, 2019 the Company incurred \$9,000 (2018 - \$9,000) in rent expense to a company owned by a director and senior officer. As at September 30, 2019, \$4,500 (March 31, 2019 - \$9,375) were indebted to the aforementioned company. These transactions have been recorded at the fair value which is the amount of consideration established and agreed to by the related parties.

A director of the Company advanced the Company \$nil at September 30, 2019 (March 31, 2019 – \$nil) for general corporate purposes.

Advances and payables are non-interest bearing and payable upon demand.

### Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation disclosed above comprised the following:

	<b>September 30, 2019</b>	September 30, 2018
CEO & CFO	-	-
	<b>\$ -</b>	<b>\$ -</b>

### **Risk and Uncertainties**

The Company's business, results of operations, financial condition, and the trading price of its common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits, metal prices, title matters, reclamation costs, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

### Critical Accounting Estimates

The financial statements were prepared in accordance with IFRS which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Significant areas requiring the use of management estimates relate to determination of impairment of assets, exploration and evaluation assets' carrying values, useful lives for depreciation and amortization, and the value of deferred income tax assets and liabilities. Actual results could differ from these estimates.

### Off-Balance-Sheet Arrangements

The Company does not have any off-balance sheet transactions.

### New and amended standards adopted by the Company

The Company has adopted IFRS 9, Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- **IFRS 16, Leases**

In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA

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Management's Discussion and Analysis

**For the Three and Six Months Ended September 30, 2019 and 2018**

**Form 51-102F1**

Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15

Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor. The new standard is effective for annual periods beginning on or after January 1, 2019. This standard has been adopted without material effect to these financial statements.

### **Subsequent Events**

On November 29, 2019, the Company and the shareholders of the Targetcos have extended the termination date of the Agreement to January 31, 2020. The Company has advanced \$218,157 to Pure Extraction under a secured loan (the "Loan"). The Loan was also amended to have a due date at the earliest of the receipt of final approval of the TSX Venture Exchange of the Qualifying Transaction or January 31, 2021.

### **Financial Instruments and Related Risks**

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

The Company's financial instruments include cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value due to their short-term maturity. The fair value of cash and cash equivalents are measured based on level 1 input of the fair value hierarchy.

Management believes that the Company is not exposed to significant interest rate risk, currency risk and credit risk.

### **ADDITIONAL INFORMATION**

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

#### **List of Directors and Officers**

Balraj Mann CEO, CFO and Director

Anthony Zelen, Director

Alicia Milne, Director