

## **Black Birch Capital Acquisition III Corp.**

### **Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")**

The following information, prepared as of April 30, 2017, should be read in conjunction with the audited financial statements of Black Birch Capital Acquisition III Corp. (the "Company") for the year ended December 31, 2016. The audited financial statements for the year December 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

The Company was incorporated on September 24, 2012 and on July 10, 2013 completed its initial public offering ("IPO") in accordance with TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 – *Capital Pool Companies* ("Policy 2.4") and became a capital pool company (a "CPC" or "Capital Pool Company"). During the fourth quarter of fiscal 2015 the Company was transferred to the NEX Board of the TSX (NEX) when it failed to complete a Qualifying Transaction within the allowed time frame.

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

#### ***Forward-Looking Statements***

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risks and uncertainties. All statements, other than statements of historical facts, which address the Company's expectations, should be considered forward-looking statements. Such statements made by the Company are based on current expectations, factors and assumptions and reflect our expectations as at April 30, 2017. Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. The Company assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and uncertainties".

#### ***Overview of the Company***

The Company was incorporated on September 24, 2012 and operates as a Capital Pool Company as defined in Policy 2.4 of the Exchange. Despite its move to the NEX the Company must still follow the operating rules of Capital Pool Companies while it is on the NEX.

The Company has no commercial operations and no assets other than cash and receivables. The Company's cash will be used to identify and evaluate businesses or assets with a view to completing a "Qualifying Transaction" (a "QT") (as defined in Policy 2.4). Any proposed Qualifying Transaction must be accepted by the Exchange and potentially the shareholders of the Company.

The Company is not pursuing a specific business, industry sector, or particular geographic. During 2014 the Company announced a potential Qualifying Transaction, but during the first quarter of 2015 decided not to move forward as a result of not raising the minimum financing required. During the fourth quarter of fiscal 2015 the Company entered into a definitive agreement with an oil company, however as a result of difficulties in satisfying Exchange listing requirements, the oil company terminated the agreement during the third quarter of 2016.

### ***Results of Operations Fiscal 2016***

For the year ended December 31, 2016, the Company incurred a net operating loss of \$206,560 or \$0.04 per share (2015 – gain of \$51,238 or \$0.01 per share.). The loss was primarily a result of \$165,674 reversal of settlement on accounts payable when the terms of the settlement agreement were breached. In the current year the Company incurred QT costs of \$12,719 (2015 - \$72,188) and had legal and audit fees of \$21,400 (2015 - \$14,540).

### ***Selected Annual Information***

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total revenues	\$nil	\$nil	\$nil
Net (income) loss	\$206,560	\$(51,238)	\$650,189
Total assets	\$39,019	\$141,459	\$29,194
Total liabilities	\$453,013	\$348,893	\$520,152
Dividends	\$Nil	\$Nil	\$Nil

### ***Results of Operations Fourth Quarter Fiscal 2016***

For the three months ended December 31, 2016, the Company incurred a net operating loss of \$174,790 or \$0.03 per share (2015 - \$13,992 and \$0.00 per share). The prior year loss was related to QT expenses all incurred in the fourth quarter as well as an adjustment to the previously recorded gain on settlement of accounts payable.

### ***Summary of Quarterly Results (unaudited)***

Three months ended	<b>Dec. 31, 2016</b>	<b>Sept. 30, 2016</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Sept. 30, 2015</b>	<b>June 30, 2015</b>	<b>March. 31, 2015</b>
Total revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Net (income) loss	\$174,790	\$8,603	\$9,668	\$13,499	\$13,992	\$45,371	\$(116,627)	\$6,026
Net loss per share (Basic and diluted)	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01	\$(0.02)	\$0.00

### ***Liquidity and Capital Resources***

As at December 31, 2016 the Company had cash of \$19,178 and receivables of \$19,841.

Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

### ***Additional Disclosures***

#### **Critical accounting estimates**

The accounting estimate considered to be significant to the Company is the computation of share-based payments expense.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets and valuing income tax liabilities, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Transactions with related parties

The Company's related parties consist of directors and officers or companies associated with them.

Key management includes the Chief Executive Officer and the Chief Financial Officer. In accordance with Exchange policies for CPCs, no salaries or other benefits may be paid or accrued to key management.

Included in accounts receivable and deposits as at December 31, 2016 is \$19,816 (2015 – 19,816) which was advanced to Advantagewon. The amount is unsecured, non-interest bearing, due on demand, and was subsequently reimbursed to the Company.

Included in amounts payable and accrued liabilities as at December 31, 2016 is \$8,183 (2015 - \$1,719) owing for expenses paid by a Senior Officer of the Company. The amount is unsecured, non-interest bearing and due on demand.

During 2015, two directors advanced \$5,000 each to the Company. Of the total amount received of \$10,000, \$5,000 had been repaid as at December 31, 2015. The remaining balance owing of \$5,000 is unsecured, non-interest bearing with no fixed terms of repayment.

#### Off-balance sheet arrangements

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

#### Financial instruments

The Company's financial instruments consist of cash, amounts receivable and deposits, accounts payable and accrued liabilities, and short-term loans. Cash and amounts receivable and deposits are classified as loans and receivables and accounts payable and accrued liabilities and short-term loans are classified as other financial liabilities. Both are measured at their amortized cost which approximates their fair value due to their short-term nature.

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at December 31, 2016 and 2015, the Company had no financial instruments measured at fair value and requiring classification in the hierarchy.

#### Outstanding share data

As at December 31, 2016 and April 30, 2017, the Company had 6,512,220 common shares issued and outstanding, and 279,886 stock options entitling the holder to acquire an additional share by paying \$0.10 per common share.

#### Proposed transactions

The Company is not party to any proposed transactions not outlined elsewhere in this MD&A.

#### Risks and uncertainties

There are a number of risk factors that should be considered when investing in a NEX Listed former Capital Pool Company.

- The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and shall not generate earnings or pay dividends until at least after completion of the Qualifying Transaction;
- The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company. In such event, the Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found;
- Investment in the Common Shares is highly speculative given the proposed nature of the Company's business and its present stage of development;

- The directors and officers of the Company will devote only a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- There can be no assurance that an active and liquid market for the Company's Common Shares will develop and an investor may find it difficult to resell its Common Shares;
- Until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions;
- The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction;
- Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction;
- Completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval;
- Unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given will have no rights of dissent and no entitlement to payment by the Company of fair value for the Common Shares;
- Upon public announcement of a proposed Qualifying Transaction, trading in the Common Shares of the Company will be halted and will remain halted for an indefinite period of time, typically until a Sponsor has been retained and certain preliminary reviews have been conducted. The Common Shares of the Company may be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Company completing the proposed Qualifying Transaction;
- Trading in the Common Shares of the Company may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required;
- The Exchange will generally suspend trading in the Company's Common Shares or delist the Company in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing;
- Neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
- In the event that management of the Company resides outside of Canada or the Company identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts; and
- The Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Company and this may result in further dilution to the investor, which dilution may be significant and which may also result in a change of control of the Company.

### ***Other Information***

Additional information related to the Company, including its final prospectus is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).