

## **FITCH STREET CAPITAL CORP.**

Management's Discussion and Analysis

**For the Six Months Ended September 30, 2018 and 2017**

**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, 2018 and the unaudited financial statements for the six months ended September 30, 2018. 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, 2018.

### **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. As at June 30, 2016, the Company had 1,323,083 shares issued and outstanding, of which, 533,333 are escrow shares.

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

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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.

During the year ended March 31, 2018, the Company made certain adjustments to its accounts payable & accrued liabilities for the fiscal years ending March 31, 2015, 2016 and 2017 by reversing rent expenses of \$24,516 and reversing all management fees and office expenses of \$49,573 aggregating \$74,089. The foregoing adjustments were made in order to comply with Exchange policies in respect to expenses for capital pool companies as set out in Policy 2.4 of the TSX Venture Polices.

**Highlights**

On October 2, 2018, the Company has entered into a Letter of Intent (the "LOI") with two arm's length companies ("Targetcos") manufacturing and selling extraction equipment in the Cannabis and non-Cannabis applications. The Proposed Transaction is intended to constitute the Company's "Qualifying Transaction" under TSX Venture Exchange ("TSX-V") Policy 2.4 and is subject to regulatory approval.

Pursuant to the LOI, the Company will acquire all of the issued and outstanding shares of Targetcos (the "Transaction") in consideration for common shares of the Company. The definitive agreement would provide that on closing, the Company will issue to the Targetcos' shareholders an aggregate of 3,000,000 shares at a deemed price of \$0.165 per share (the "Consideration Shares"). The number of Consideration Shares to be issued to the Targetcos' shareholders may be subject to change to reflect any financings undertaken by Targetcos prior to the completion of the Proposed Transaction. Some or all of the Consideration Shares issued as part of the Transaction will be subject to escrow provisions pursuant to TSX-V Policies. The Company will issue an additional 1,000,000 shares (the "Performance Shares") if Targetcos achieve cumulative revenues of \$2,000,000 within 18 months of the signing date of the Definitive Agreement, subject to TSX-V Exchange approval. Under the terms of the LOI, the parties have agreed to use commercially reasonable efforts to negotiate and settle a definitive agreement by November 17, 2018 (the "Definitive Agreement"). Since the Transaction is considered as an arm's length transaction, the Company is not required to obtain shareholder approval for the Transaction.

The Targetcos are private and engaged in the business of manufacturing and sale of extraction equipment in the legal Cannabis market in Canada and in jurisdictions outside of Canada excluding the United States of America, and in addition, manufacture and sell extraction equipment for non-Cannabis applications.

**Selected Financial Information**

The following financial data is derived from the Company's audited annual financial statements for the years ended March 31, 2018, 2017 and 2016 respectively.

Years Ended March 31,	2018	2017	2016
	\$	\$	\$
		(Restated)	(Restated)
Net revenues	-	-	-
Net loss	(94,001)	(44,397)	(37,687)
Total assets	529,739	32,083	30,368
Loss per Share	(0.03)	(0.03)	(0.00)
Cash dividends per share	0.00	0.00	0.00

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**For the Six Months Ended September 30, 2018 and 2017****Form 51-102F1****Summary of Quarterly Results**

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

	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
							(Restated)	(Restated)
Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net income (loss)	(8,464)	448	(33,209)	(14,702)	(4,110)	(41,980)	(971)	(12,526)
Income (Loss) per share (basic and diluted)	(0.00)	0.00	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)

**Results of Operations for the Six Months ended September 30, 2018 and 2017**

For the six months ended September 30, 2018, the company incurred an operating loss in the amount of \$8,016 (2017 - \$54,322). The Company wrote-off prior year's accounts payable of \$8,712 which offset a portion of operating loss. In the six months ended June 30, 2017, the Company's loss of \$54,322, included \$29,483 written-off for GST receivable deemed uncollectible.

Expenses and their respective changes as follows:

- Accounting, audit and legal \$3,795 (2017 – \$10,483);
- Listing and filing fees of \$2,279 (2017 - \$3,500);
- Office and miscellaneous \$9,091 (2017 - \$9,000);
- Transfer agent \$1,563 (2017 - \$1,863);
- Write-off of receivables \$nil (2017 - \$29,483);
- Write-off of prior year's accounts payable \$8,712 (2017 -\$nil)

**Results of Operations for the Three Months ended September 30, 2018 and 2017**

For the three months ended September 30, 2018, the company incurred an operating loss of \$8,464 (2017 - \$12,342).

Expenses and their respective changes as follow:

- Accounting, audit and legal \$795 (2017 – \$5,721);
- Listing and filing fees of \$2,279 (2017 - \$1,000);
- Office and miscellaneous \$4,573 (2017 - \$4,500);
- Transfer agent \$817 (2017 - \$1,121);

**Liquidity**

As at September 30, 2018 the company had working capital of \$481,964 (March 31, 2018 - \$489,980). The Company has a cash balance of \$494,827 (March 31, 2018 - \$518,819). The Company does not have any material expenditure commitments over the near term or long term.

**Contractual Obligations**

The Company has no material contractual obligations.

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The following tables summarize the Company's common share, warrants and stock option transactions for the six months ended September 30, 2018 and as at November 29, 2018;

Common Shares:

<b>Balance March 31, 2017</b>	<b>1,323,082</b>
Issued for cash	11,300,000
<b>Balance, March 31, 2018, September 30, 2018 and November 29, 2018</b>	<b>12,623,082</b>

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

On October 21, 2010, the Company's shareholders who are dealing at arm's length to the Company, within the meaning of the Exchange's policies, have approved the listing of the Company's common shares on the NEX as well as the cancellation of 1,333,333 discounted seed shares held by directors of the Company. 2,133,333 of the outstanding shares remain held in escrow. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the Exchange's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

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. This reduced the number of escrow shares to 533,333.

Warrants:

No warrants were issued during the six months ended September 30, 2018 and 2017. There were no outstanding warrants as at September 30, 2018 and 2017 and as at November 29, 2018.

Brokers' options:

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.

Number outstanding at March 31, 2018	Granted	Exercised	Number outstanding at September 30, 2018	Exercise price	Expiry Date
780,000		-	780,000	\$0.07	February 6, 2020

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As of September 30, 2018, and November 29, 2018, 780,000 brokers' options were outstanding.

Stock Options:

Stock Option Plan

The Company has adopted a stock option plan applicable to directors, officers and consultants under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date.

No stock options were granted during years ended March 31, 2016 and 2015. During the year ended March 31, 2010, the Company granted 500,000 stock options to Directors and Officers of the Company. These Options exercisable at a price of \$0.10 per share expired on August 7, 2014.

As of September 30, 2018, and November 29, 2018, no stock options were outstanding.

Further details on the Company's share capital can be found in Note 5 in the audited annual financial statements for the year ended March 31, 2018.

**Related Party Transactions**

During the six month period ended September 30, 2018 the Company incurred \$9,000 (2017 - **\$9,000 Restated**) in rent expense to a company owned by a director and senior officer. The Company received a credit note of (\$74,089) from aforementioned company for rent, office and professional fees. As at September 30, 2018, \$9,000 (March 31, 2018 - \$nil) 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.

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, 2018</b>	June 30, 2017
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

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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**

**Effective for periods beginning on or after January 1, 2019**

- **IFRS 16, Leases**

IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. 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

### **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.

### **Subsequent Events**

On October 2, 2018, the Company has entered into a Letter of Intent (the "LOI") with two arm's length companies ("Targetcos") manufacturing and selling extraction equipment in the Cannabis and non-Cannabis applications. The Proposed Transaction is intended to constitute the Company's "Qualifying Transaction" under TSX Venture Exchange ("TSX-V") Policy 2.4 and is subject to regulatory approval.

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On October 26, 2018, the Company advanced \$25,000 to the Targetcos.

On November 17, 2018, the Company and Targetcos both agreed to extend the settlement date of the definite agreement to January 1, 2019.

**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