

# **DRAGONFLY CAPITAL CORP.**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the six months ended October 31, 2018

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FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

This Management's Discussion and Analysis ("MD&A") of Dragonfly Capital Corp. ("Dragonfly" or the "Company"), prepared as of December 19, 2018, should be read in conjunction with the financial statements and the notes thereto for the six months ended October 31, 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

**DESCRIPTION OF BUSINESS**

The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia) on March 19, 2010.

The Company is a Capital Pool Company as its principal business is the identification and evaluation of companies, assets or business with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the TSX Venture Exchange ("Exchange"). Such a transaction will be subject to shareholder and regulatory approval.

On October 14, 2010, the Company completed its initial public offering consisting of a new issue of 2,000,000 common shares priced at \$0.10 per share, for gross proceeds of \$200,000. The Company's common shares commenced trading on the Exchange under the symbol "DRC.P" at market opening on October 15, 2010. The Company's prospectus dated July 12, 2010 was accepted effective July 14, 2010 by the regulatory authorities of British Columbia and Alberta and constituted an offering to the public of 2,000,000 common shares of the Company at \$0.10 per share for gross proceeds of \$200,000. The agent received a commission of 10% of the gross proceeds of the offering or \$0.01 per share and an administration fee of \$10,000. The Company also granted the agent warrants to acquire up to 200,000 common shares at an exercise price of \$0.10 per common share exercisable for a period of 24 months from the date the Company's common shares are listed for trading on the Exchange. The agent was also reimbursed by the Company for other agent's expenses incurred pursuant to the offering.

On February 5, 2013, the Company announced the transfer of its listing to the NEX board ("NEX") of the Exchange effective at market open on February 6, 2013. The trading symbol of Dragonfly changed from "DRC.P" to "DRC.H", however, trading in the common shares of Dragonfly remained suspended, pending completion of a Qualifying Transaction.

On November 8, 2017, the Company announced it had terminated its letter of intent to acquire all of the membership interests in Oleavicin, LLC ("**Oleavicin**"), a privately-held California-based manufacturer and distributor of 100% all natural treatments for skin ailments. Dragonfly and Oleavicin have mutually agreed to terminate the letter of intent effective immediately.

A review (the "Resumption Review") was conducted by the Exchange in connection with the Company's application to resume trading of its common shares, and effective at the opening on December 13, 2017, the Company's common shares resumed trading.

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**RESULTS OF OPERATIONS**

For the three months ended October 31, 2018, the Company had a net loss of \$94,680 compared to a net income of \$92,806 for the three months ended October 31, 2017. The change is mainly due to a recovery of expenses in the amount of \$113,950 incurred during the three months ended October 31, 2017 and increases in the current period to travel expenses, rent and administration fees and professional fees caused by the Company's renewed attempts to secure a qualifying transaction.

For the six months ended October 31, 2018, the Company had a net loss of \$122,108 compared to a net income of \$75,139 for the six months ended October 31, 2017. The change is mainly due to a recovery of expenses in the amount of \$113,950 incurred during the three months ended October 31, 2017 and increases in the current period to travel expenses, rent and administration fees and professional fees caused by the Company's renewed attempts to secure a qualifying transaction.

**SUMMARY OF QUARTERLY RESULTS**

The following is a summary of the Company's financial results for the eight most recently completed quarters.

	October 31, 2018 \$	July 31, 2018 \$	April 30, 2018 \$	January 31, 2018 \$
Total revenues	—	—	—	—
Net income (loss)	(94,680)	(27,428)	18,147	(22,675)
Net earnings (loss) per share, basic and diluted	(0.01)	(0.00)	0.00	(0.00)

  

	October 31, 2017 \$	July 31, 2017 \$	April 30, 2017 \$	January 31, 2017 \$
Total revenues	—	—	—	—
Net loss	92,806	(17,667)	(17,965)	(12,893)
Net loss per share, basic and diluted	0.01	(0.00)	(0.00)	(0.00)

**LIQUIDITY AND CAPITAL RESOURCES**

As at October 31, 2018, the Company had cash of \$424,972 compared to cash of \$525,920 as at April 30, 2018. As at October 31, 2018, the Company had working capital of \$398,387 compared to \$520,495 as at April 30, 2018.

On March 21, 2018, the Company announced that it had closed its previously announced non-brokered private placement (the "Private Placement") by issuing 10,000,000 common shares (the "Shares") of the Company at a price of \$0.075 per Share and raising gross aggregate proceeds of \$750,000.

The Company has capital requirements in excess of its currently available resources. The Company requires additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

**Six months ended October 31, 2018 compared to the six months ended October 31, 2017:**

**Operating activities**

For the six months ended October 31, 2018, the Company's operating activities used cash of \$100,948 compared to cash of \$28,299 used for the six months ended October 31, 2017.

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**Financing activities**

For the six months ended October 31, 2018, the Company had no financing activities compared to \$28,300 provided by financing activities for the six months ended October 31, 2017. Cash provided by financing activities during the six months ended October 31, 2017 consisted of \$38,300 of advances to related parties offset by \$10,000 of repayments to related parties.

**Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2018.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

During the three and six months ended October 31, 2018, the Company had no transactions with related parties.

For the three and six months ended October 31, 2017, the Company incurred rent and administrative fees of \$4,725 and \$9,450 to a company controlled by two former directors of the Company.

For the six months ended October 31, 2018, the Company recovered management fees in the amount of \$99,225 that were previously incurred to a company controlled by the former President of the Company.

For the six months ended October 31, 2018, the Company recovered consulting fees in the amount of \$14,725 that were previously incurred to a company with common former directors.

**FINANCIAL INSTRUMENTS AND RISKS**

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at October 31, 2018 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, October 31, 2018
	\$	\$	\$	\$
Cash	424,972	—	—	424,972

The fair values of other financial instruments, which include accounts payable and accrued liabilities, and amounts due to/from related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

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(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended January 31, 2018, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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

An analysis of material components of the Company's general and administrative expenses is disclosed in the financial statements for the six months ended October 31, 2018 to which this MD&A relates.

**DISCLOSURE OF OUTSTANDING SHARE DATA**

**Share Capital**

As at December 19, 2018, the Company had 16,311,000 shares issued and outstanding.

**Share Purchase Warrants**

As at December 19, 2018, the Company had no share purchase warrants outstanding.

**Stock Options**

As at December 19, 2018, the Company had no stock options outstanding.

**OTHER**

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).