

Management's Discussion and Analysis of Financial Condition
and Results of Operations of

CUSPIS CAPITAL II LTD.

A Capital Pool Corporation

For the three months ended September 30, 2020 and from the
date of incorporation (September 3, 2019) to September 30, 2019

CUSPIS CAPITAL II LTD.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of the Financial Condition and Results of Operations

For the periods ended September 30, 2020 and 2019

December 1, 2020

1. INTRODUCTION

This management's discussion and analysis ("MD&A") of financial condition and result of operations of Cuspis Capital II Ltd. ("Cuspis II" or "the Company") is supplementary to, and should be read in conjunction with, the Company's unaudited condensed interim financial statements for the three months ended September 30, 2020 and from the date of incorporation (September 3, 2019) to September 30, 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and the Company's financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Information about the Company and its operations can be obtained from its registered head office located at 77 King Street West, Suite 700, Toronto, Ontario, Canada M5K 1G8.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements and information concerning expected future events, the future performance of the Company, its operations, and its financial performance and condition. These forward-looking statements and information include, among others, statements with respect to the Company's objectives and strategies to achieve those objectives, as well as statements with respect to its beliefs, plans, expectations, anticipations, estimates, and intentions. When used in this MD&A, the words "believe", "anticipate", "may", "should", "intend", "estimate", "expect", "project", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

These forward-looking statements and information are based on current expectations. The Company cautions that all forward-looking statements and information are inherently uncertain and actual future results, conditions, actions or events may differ materially from the targets, assumptions, estimates, or expectations reflected or contained in the forward-looking statements and information, and that actual future results, conditions, actions, events, or performance will be affected by a number of factors including economic conditions and competitive factors, many of which are beyond the Company's control.

Forward-looking statements used in this MD&A are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the actual results may vary materially from those expected, estimated or projected. The Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Given these uncertainties, the reader of the information included herein is cautioned not to place undue reliance on such forward-looking statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's discussion and analysis of operating results and financial condition are made with reference to the Company's unaudited condensed interim financial statements and notes thereto for the three months ended September 30, 2020 and from the date of incorporation (September 3, 2019) to September 30, 2019, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The Company's significant accounting policies are summarized in detail in note 3 of the Company's annual financial statements for the year ended June 30, 2020, which are included with the Preliminary Prospectus and available on www.SEDAR.com.

Change in accounting policy

On January 1, 2020, the Company adopted the amendments to IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). These standards were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments did not have any material impact on the Company's financial statements.

4. OVERVIEW

The Company

Cuspis Capital II Ltd. was incorporated September 3, 2019 pursuant to the provisions of the Business Corporations Act (Ontario). The Company's corporate and tax year-end is June 30. Cuspis II became a reporting issuer on November 13, 2020.

Strategy

The Company intends to carry on business as a Capital Pool Corporation ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 – Capital Pool Companies ("CPC Policy 2.4"). As at September 30, 2020, the Company had no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange.

The Company intends to complete an initial public offering (the "IPO") subsequent to September 30, 2020 (refer also to the section entitled "Share capital").

The gross proceeds raised from the IPO may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed “Qualifying Transaction” as such term is defined in Exchange CPC Policy 2.4 (“Transaction Expenses”) with the exception that the lesser of 30% of the gross proceeds and \$210,000 may be used for purposes other than to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction.

Where a Qualifying Transaction warrants, additional funding may be required. The ability of the Company to fund its potential future operations and commitments may be dependent upon the ability of the Company to obtain additional financing. Under the Exchange CPC Policy 2.4, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company’s shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or delist the Company’s shares from trading should it not meet these requirements.

Deductible costs of this issue include listing and filing fees, the Agent’s expenses and legal fees, the Agent’s corporate work fee and the Company’s legal fees, audit fees and expenses.

Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations and complete its Qualifying Transaction.

5. SHARE CAPITAL

	Number of Common Shares	Amount
Balance as at September 3, 2019	-	\$ -
Seed share issuance	50,000	5,000
Share issuance costs	-	(1,000)
Balance as at September 30, 2019 and June 30, 2020	50,000	\$ 4,000
Seed share issuance	4,950,000	495,000
Share issuance costs	-	(1,800)
Balance, as at September 30, 2020	5,000,000	\$ 497,200

Shares subject to escrow after completion of the IPO

After completing the IPO all issued and outstanding seed shares will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on completion of the Company’s Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release, pursuant to the terms of an Escrow Agreement dated as of November 11, 2020 between the Company, TSX Trust Company, and the shareholders of the Company.

Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

All common shares acquired on exercise of share options granted to directors and officers prior to completion of a Qualifying Transaction must also be deposited and held in escrow pursuant to the requirements of the Exchange.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited and held in escrow.

The seed common shares are considered contingently issuable until the Company completes a Qualifying Transaction and, accordingly, they are not considered to be outstanding shares for purposes of loss per share calculations.

Initial public offering

Pursuant to a prospectus dated November 11, 2020, the Company is proposing to offer a minimum of 2,500,000 common shares of the Company at \$0.20 per common share for gross proceeds of \$500,000 (the “Minimum Offering”) and up to a maximum of 7,500,000 common shares of the Company at \$0.20 per common share for gross proceeds of \$1,500,000 (the “Maximum Offering”).

Stock option agreements

Concurrently with the completion of the IPO, the Company intends to enter into stock option agreements with officers and directors of the Company, entitling them to purchase up to that number of common shares equal to 10% of the number of common shares that will be outstanding upon completion of the IPO, at a price of \$0.20 per common share for a period of five years from the date of issuance.

Agent’s compensation

The Company has entered into an agreement between the Company and Industrial Alliance Securities Inc. (the “Agent”) dated effective November 11, 2020 (the “Agency Agreement”). Pursuant to the terms of the Agency Agreement, the Agent will receive a commission of 10% of the aggregate gross proceeds from the sale of the common shares, a \$10,000 corporate work fee, and reimbursement of its expenses and legal fees incurred pursuant to the IPO plus disbursements and taxes. The Company will grant to the Agent and its sub-agents, if any, at the closing of the IPO the “Agent’s Warrant” to acquire common shares in number equal to 10% of the number of common shares sold under the IPO, at \$0.20 per share for a 24-month period following the date of listing of the common shares on the Exchange. Pursuant to CPC Policy 2.4, where the Agent receives an option or the right to subscribe for a certain number of shares as consideration for acting as Agent, 50% of the options exercised or 50% of the shares held pursuant to that right may be sold prior to completion of the Qualifying Transaction. The remaining 50% may only be sold after completion of the Qualifying Transaction.

Deductible costs of this issue include listing and filing fees, the Agent’s expenses and legal fees, the Agent’s corporate work fee and the Company’s legal fees, audit fees and expenses, which are estimated at \$117,455, assuming the Minimum Offering is subscribed for, and \$117,455, assuming the Maximum Offering is subscribed for, inclusive of taxes and disbursements and exclusive of the Agent’s commission.

6. RESULTS OF OPERATIONS

Operating expense

	Period ended September 30,	
	2020	2019
Professional fees	\$ 16,088	\$ 455
Filing costs	16,552	-
	\$ 32,640	\$ 455

Professional fees

Professional fees include mainly legal and accounting fees. For the three months ended September 30, 2020, professional fees totalled \$16,088 (period ended September 30, 2019 - \$455).

Filing costs

Filing costs include mainly expenses associated with stock exchange and SEDAR filing fees. Filing costs totalled \$16,552 for the three months ended September 30, 2020, compared to \$nil during the period ended September 30, 2019.

Income (loss) and comprehensive income (loss)

The loss and comprehensive loss for the three months ended September 30, 2020 amounted to \$32,640 or \$0.01 per share, basic and diluted (period ended September 30, 2019 –\$455 or \$0.01 per share, basic and diluted).

Income taxes

The Company has approximately \$20,000 of non-capital losses in Canada which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire in 2040 and 2041.

Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can use the benefits.

7. QUARTERLY FINANCIAL RESULTS

The following table sets out financial information for the quarters commencing from the incorporation date of September 3, 2019 to September 30, 2020.

	Fiscal 2021	Fiscal 2020			Incorporation date of Sep 3 To Sep 30, 2019
	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	32,640	6,087	-	-	455
Loss and comprehensive loss for the period	(32,640)	(6,087)	-	-	(455)
Loss per share – basic ⁽ⁱ⁾	(0.01)	(0.12)	0.00	0.00	(0.01)
Loss per share – diluted ⁽ⁱ⁾	(0.01)	(0.12)	0.00	0.00	(0.01)
Weighted average number of shares outstanding	3,270,652	50,000	50,000	50,000	50,000

8. LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at September 30, 2020, the Company had no debt and working capital totaled \$427,118 compared to a working capital deficit totaling \$2,542 as at June 30, 2020.

The Company funds its activities through equity financing. To date, the Company raised approximately \$500,000 in initial seed financing to fund its operations, which at this time principally consists of completing an IPO and subsequently identifying and completing a Qualifying Transaction. The current cash on hand as at September 30, 2020 is expected to be sufficient to meet the Company's liquidity requirements until the IPO is completed. However, upon completion of the IPO and subsequent Qualifying Transaction, additional capital may be necessary.

The Company does not generate revenue from operations and incurred a net loss of \$32,640 for the three months ended September 30, 2020 (period ended September 30, 2019 - \$455). However, the Company believes that its working capital will provide the Company with sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As the Company has no revenues, its ability to continue as a going concern is dependent on its ability to complete the IPO and subsequent Qualifying Transaction.

9. INVESTOR RELATIONS

Until completion of a Qualifying Transaction, neither the Company nor any party on behalf of the Company will engage the services of any person to provide investor relation activities or market making services.

10. PROPOSED TRANSACTIONS AND OFF BALANCE SHEET ARRANGEMENTS

There are no proposed transactions or off balance sheet arrangements.

11. OPERATING RISKS AND UNCERTAINTIES

Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to remain a CPC until it completes a Qualifying Transaction so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity. The Company is not subject to any externally imposed capital requirements other than the cash restriction disclosed in the section entitled "Overview – Strategy". There were no significant changes in the Company's approach to capital management during the periods ended September 30, 2020 and June 30, 2020.

Financial instruments and risk management

The Company's activities may expose it to a variety of financial risks: fair values, credit risk, liquidity risk and market risk (including interest rate risk). The Board of Directors provides regular guidance for overall risk management.

Fair values

As at September 30, 2020 and June 30, 2020, financial instruments consist of cash, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks. The Board approves the risk management processes. The Board's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the completion of the IPO and the subsequent search for a Qualifying Transaction, and limited exposure to credit and market risks.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is exposed to credit risk through its cash balance which are held in trust at its corporate law firm. The Company believes its exposure to credit risk is not significant.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management believes the Company had no significant exposure to interest rate risk through its financial instruments as at September 30, 2020 and 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in the section entitled "Operating risks and uncertainties – Management of capital", in normal circumstances. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and have normal trade terms.

Risks and uncertainties

The Company does not have a history of operations. There is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

The Company's continued operation will be dependent upon its ability to complete its IPO, secure a Qualifying Transaction and to generate operating revenues and to procure additional financing. To date, the Company has done so through equity financing.

The Company has no active business or assets other than cash. It does not have a history of earnings, nor has it paid any dividends. It will not generate earnings or pay dividends until at least after the completion of the Qualifying Transaction.

The directors and officers of the Company will only devote a small portion of their time to the business and affairs of the Company. Some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time.

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.

The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions. There can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Further, even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to complete the transaction. The Qualifying Transaction may be financed in whole, or in part, by the issuance of additional securities by the Company. This may result in further dilution to investors, which dilution may be significant and which may also result in a change of control of the Company. Subject to prior Exchange approval, the Company may be permitted to loan or advance up to an aggregate of \$250,000 of its proceeds as a refundable deposit to a target business under certain conditions noted in the CPC Policy. There can be no assurance that the Company will be able to recover that loan.

Completion of any 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 minority approval.

Upon public announcement of a proposed Qualifying Transaction, trading in common shares of the Company would be halted for an indefinite period of time, until certain reviews are conducted, and obligations satisfied. The common shares will be reinstated to trading upon review and acceptance of the Exchange. 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 of the common shares 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 of the 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.

Potential Dilution

The Company may issue options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could be diluted.

Disclosure controls and procedures

Management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

12. ADDITIONAL INFORMATION

Additional information regarding the Company's financial statements and corporate documents is available by request to the CEO made to our registered head office located at Suite 700, 77 King Street West, Toronto Ontario Canada M5K 1G8.

CUSPIS CAPITAL II LTD.

Shareholder Information

Board of Directors and Officers

William Ollerhead (Chairman of the Board and
Chief Executive Officer)

Grant McCutcheon (Chief Financial Officer and Secretary)

Jack Schoenmakers

C. Fraser Elliott

Auditors

McGovern Hurley LLP
251 Consumers Road, Suite 800
Toronto, Ontario Canada
M2J 4R3

Shareholder inquiries

c/o Chitiz Pathak LLP
77 King Street West, Suite 700
Toronto, Ontario Canada
MK 1G8