

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, 2023 and 2022

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A Capital Pool Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS**of the Financial Condition and Results of Operations**

For the three months ended September 30, 2023 and 2022

November 28, 2023

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, 2023 and 2022. 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.

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, 2023 and 2022, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with IFRS. The Company's significant accounting policies are summarized in detail in note 3 of the Company's financial statements for the years ended June 30, 2023 and 2022 which are available under the Company's profile at www.SEDARplus.ca ("SEDAR+").

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. The Company's shares are listed for trading on the TSX Venture Exchange under the symbol "CCII.P".

Strategy

The Company is carrying 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, 2023, the Company had no business operations. 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, in its efforts to complete a 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 and complete a Qualifying Transaction.

Proposed Qualifying Transaction

On June 1, 2022, the Company entered into a Letter of Intent ("LOI") with Peninsula Capital Corp. ("Peninsula"), a private company incorporated under the laws of the Province of Ontario. Trading in the common shares of the Company was halted pursuant to the policies of the Exchange. The deadline for completion of the transaction was extended to June 30, 2023.

On July 6, 2023, the Company and Peninsula agreed not to extend or renew the expired LOI. The Company continues to evaluate other opportunities and candidates for the completion of a Qualifying Transaction. The Company's shares resumed trading on August 2, 2023.

5. SHARE CAPITAL

	Number of Common Shares	Amount
Balance as at June 30, 2023, September 30, 2023 and November 28, 2023	12,500,000	\$ 1,721,279

Seed shares

As at September 30, 2023 and June 30, 2023, the Company had a total of 5,000,000 seed common shares issued and outstanding at \$0.10 per share.

Initial public offering

On December 11, 2020, the Company completed its initial public offering (“the Offering”), pursuant to which it issued 7,500,000 common shares at \$0.20 per share, for aggregate proceeds of \$1,500,000.

Stock options

Upon closing of the Offering on December 11, 2020, the Company granted to officers and directors of the Company an aggregate of 1,250,000 stock options exercisable at \$0.20 per share for a period of five years. These options vested immediately upon grant and were valued at \$186,071 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 101% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free rate of 0.25% and a share price of \$0.20. The weighted average remaining life of the options outstanding as at September 30, 2023 was 2.2 years.

	Number of stock options issued and exercisable	Weighted average exercise price
Balance as at June 30, 2023, September 30, 2023, and November 28, 2023	1,250,000	\$ 0.20

Compensation warrants

Compensation warrants issued upon closing of the Offering expired on December 11, 2022 and the warrant reserve was reallocated to retained earnings on the statements of financial position.

Shares subject to escrow

Under the CPC Policy rules, all issued and outstanding seed shares are subject to a uniform 18-month escrow release schedule, following the closing of a Qualifying Transaction, and will be released as to 25% on the date of the final Qualifying Transaction Exchange bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter, pursuant to the terms of the amended and restated Escrow Agreement dated March 23, 2023, 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 stock 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.

6. CASH RESTRICTION

There is a restriction on the use of proceeds realized from the sale of all securities issued by the Company as a CPC. The gross proceeds raised from the Offering may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed Qualifying Transaction, with the exception that general and administrative expenses are capped at \$3,000 per month, including for professional accounting, advisory, and legal services expenses, and are not time limited.

7. RESULTS OF OPERATIONS

Operating expense

	Three months ended September 30,	
	2023	2022
Professional fees	\$ 6,842	\$ 4,731
Qualifying transaction	4,260	22,346
Filing costs	2,147	185
General and administrative	24	49
Net loss from operations for the period	\$ 13,273	\$ 27,311

Professional fees

Professional fees include mainly legal, audit and accounting fees and annual general meeting (“AGM”) expenses. For the three months ended September 30, 2023, professional fees totaled \$6,842 (September 30, 2022 - \$4,731).

Qualifying transaction

Qualifying transaction expenses totaling \$4,260 for the three months ended September 30, 2023 (September 30, 2022 - \$22,346) related mainly to a proposed Qualifying Transaction with Peninsula which lapsed on June 30, 2023 (refer to the section entitled “Overview – Proposed Qualifying Transaction”).

Filing costs

Filing costs include mainly expenses associated with Exchange and SEDAR+ filing fees. Filing costs totalled \$2,147 for the three months ended September 30, 2023 (September 30, 2022 - \$185).

Interest income

As at June 30, 2023, the Company held \$1,593,000 in a one-year fully cashable guaranteed investment certificate (“GIC”) with a variable interest rate of the Canadian Imperial Bank of Commerce Prime Rate minus 2.6% and an effective annual interest rate of 5.25%. Funds are invested at a Canadian financial institution.

The GIC matured on September 29, 2023 and interest totaling \$63,570 was received during the quarter. On September 29, 2023, \$1,620,480 was reinvested in a one-year fully cashable GIC under the same terms, and the interest rate is currently 5.25%. The GIC will mature on October 1, 2024.

Earned interest on the outstanding GIC as at September 30, 2023 totaled \$234 (September 30, 2022 - \$126).

Interest income recorded during the three months ended September 30, 2023 totaled \$17,898 (September 30, 2022 - \$8,042).

Income (loss) and comprehensive income (loss)

The income (loss) and comprehensive income (loss) for the three months ended September 30, 2023 amounted to \$4,625 or \$Nil per share, basic and diluted (September 30, 2022 – (\$19,269) or (\$Nil) per share, basic and diluted).

The net income (loss) per common share was based on the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average shares outstanding does not include 5,000,000 escrowed shares as they are contingently returnable.

Diluted income (loss) per share does not include the effect of any share options outstanding as they are held in escrow until the completion of a Qualifying Transaction. All outstanding warrants expired on December 11, 2022.

Income taxes

The Company has approximately \$303,000 of non-capital losses in Canada which, under certain circumstances, can be used to reduce the taxable income of future years. These losses expire between 2040 and 2043.

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.

8. QUARTERLY FINANCIAL RESULTS

	Fiscal 2024	Fiscal 2023			Fiscal 2022			
	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	13,273	28,166	12,796	17,485	27,311	31,700	21,738	8,507
Interest income	17,898	16,412	16,582	12,958	8,042	4,128	2,031	1,663
Income (loss) and comprehensive income (loss) for the period	4,625	(11,754)	3,786	(4,527)	(19,269)	(27,572)	(19,707)	(6,844)
Income (loss) per share – basic and diluted	0.00	(0.00)	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding ⁽¹⁾	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000

⁽¹⁾ For the periods presented, the calculation of weighted average number of common shares outstanding excludes any escrowed shares, options and warrants outstanding. All warrants expired on December 11, 2022.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Refer to the section entitled “Share Capital” for details on seed shares issued and stock options granted to related parties.

10. LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at September 30, 2023, the Company had no debt and working capital totaled \$1,605,661 compared to \$1,601,036 as at June 30, 2023.

The Company funds its activities through equity financing. To date, the Company raised approximately \$500,000 in initial seed financing and an additional \$1,500,000 pursuant to the Offering through the issuance of common shares to fund its operations, which at this time principally consists of completing a Qualifying Transaction. The current cash on hand as at September 30, 2023 is expected to be sufficient to meet the Company's liquidity requirements. However, upon completion of the Qualifying Transaction, additional capital may be necessary.

The Company does not generate revenue from operations. 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 a Qualifying Transaction.

11. 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.

12. PROPOSED TRANSACTIONS AND OFF BALANCE SHEET ARRANGEMENTS

There are no proposed transactions and off balance sheet arrangements that have or are reasonably likely to have an effect on the results of operations or financial condition of the Company.

13. 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 and complete 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 "Cash restriction". There were no significant changes in the Company's approach to capital management during the periods ended September 30, 2023 and June 30, 2023.

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, 2023, the Company's financial instruments consisted of cash, short-term investments, and 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 limitation of the Company's exposure to credit and market risks, and the Company's completion of a Qualifying Transaction.

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 and short-term investment balances which were held at Canadian financial institutions as at September 30, 2023 and June 30, 2023. 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, 2023 and June 30, 2023.

A 1% increase (decrease) in the interest rate on the short-term investments as at September 30, 2023 would result in an estimated increase (decrease) in net income (loss) of approximately \$16,200 (June 30, 2023 - \$16,400).

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 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 a 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 complete a potential Qualifying 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 any proposed Qualifying Transaction, trading in common shares of the Company will be halted and will remain so 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 a 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.

14. 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, or under the Company's profile at SEDAR+.

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

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Shareholder inquiries

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Common shares

The common shares of the Company
are listed on the TSX Venture Exchange under
the symbol CCII.P.