

Revolve Renewable Power Corp.

Management Discussion and Analysis
of Financial Condition and Results of Operations
December 31, 2022 and 2021

Caution Regarding Forward Looking Information

The following Management Discussion and Analysis (“MD&A”) has been prepared in accordance with Form 51-102F1. This MD&A includes forward-looking statements. All statements other than statements of historical fact contained in this MD&A, including statements regarding the future financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. The words “believe”, “may”, “will”, “estimate”, “forecast”, “continue”, “anticipate”, “intend”, “should”, “plan”, “expect” and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. The Company has based these forward-looking statements on the current expectations and projections about business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions as described elsewhere in this MD&A.

Other sections of this MD&A may include additional factors that could adversely affect the Company and its financial performance. Moreover, the Company operates in a very competitive and rapidly changing business environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can the Company assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers should not rely upon forward-looking statements as predictions of future events or performance. The Company cannot provide assurance that the events and circumstances reflected in the forward-looking statements will be achieved or will occur. Although the Company believes that the expectations reflected in the forward-looking statements are within reason, the Company cannot assure future results, levels of activity, performance, or achievements.

Management’s Discussion and Analysis

The following discussion is management’s assessment and analysis of the results and financial condition of Revolve Renewable Power Corp. (“Revolve” or the “Company”), and should be read in conjunction with the accompanying audited annual consolidated financial statements and related notes, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All figures are reported in United States dollars unless otherwise indicated. The effective date of this report is February 27, 2023.

Business Overview

Revolve (formerly Philippine Metals Inc.) was incorporated on April 7, 1989 under the laws of the Province of Alberta, Canada. On April 17, 2018, the Company was continued into the Province of British Columbia, Canada. The Company trades on the TSX Venture Exchange (“TSXV”) as a Tier 2 issuer under the symbol “REVV”.

The Company was previously a mineral exploration-stage public company and its principal business activity was the exploration and evaluation of assets, located in the Philippines. These assets were disposed of in conjunction with the Transaction outlined herein.

On March 7, 2022, the Company changed its name to Revolve Renewable Power Corp. and on March 8, 2022, the Company announced that it had completed the acquisition of all the outstanding securities of Revolve Renewable Power Limited (“Revolve Limited” (the “Transaction” or the “RTO”)). The Transaction resulted in a reverse takeover of the Company (as defined by TSXV Policy 5.2) and was completed according to the terms of the definitive agreement dated February 7, 2022 pursuant to which the Company acquired all of the issued and outstanding securities of Revolve Limited by way of a securities exchange transaction with all of the security holders of Revolve Limited. Since the transaction did not meet the criteria of IFRS 3, Business Combinations, it was also accounted for as a reverse takeover which gave rise to a one-time, non-cash, listing expense of \$2,786,458 being recognized in the consolidated statement of (loss) income and comprehensive (loss) income for the year ended June 30, 2022. The listing expense is calculated as the difference between the fair value of consideration paid, which is primarily the fair value of the shares retained by the shareholders of what was formerly Philippine Metals Inc., and the fair value of the assets acquired, which was primarily cash (See Note 3 to the Company’s Audited Consolidated Financial Statements for the period ended December 31, 2022 for more information).

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Following the Transaction, the leadership team of the Company is as follows:

Omar Bojorquez (Director and President)
Steve Dalton (Director and Chief Executive Officer)
Roger Norwich (Director and Chairman)
Joseph O'Farrell (Director)
Finn Lyden (Director)
Jonathan Clare (Director)
JP Maguire (Director)
Craig Lindsay (Director)
Nicholas Furber (Chief Financial Officer)
Janet Bates (Corporate Secretary)

The Company's principal business following the Transaction was that of a developer of renewable energy electricity generation projects located in the US and Mexico ("Utility Scale Assets"). Subsequent to the Transaction, the Company established a new division, Revolve Renewable Business Solutions, to focus on the distributed generation market and sub 20MW renewable energy projects ("Distributed Generation Assets").

Utility Scale Assets

The Utility Scale Assets division of the Company consists of an active development portfolio of 2.4GW of wind, solar and battery storage projects. This portfolio currently includes ten (10) individual projects ranging in capacity from 100MW to 400MW located in North Eastern Mexico, New Mexico, Utah and Colorado.

In March 2021, the Company formed a joint venture company, MRE Wind & Solar Inc. ("MRE US"), with Running Foxes Wind & Solar Inc. based in Colorado, USA with a view to expanding its development activities into the US renewable energy market. Revolve owns 90% of MRE US and 10% is owned by Running Foxes Wind & Solar Inc. Revolve will lead the development of the joint venture including providing working capital funding at its discretion with Running Foxes Wind & Solar Inc. providing land acquisition, rights of way and other project development support.

In addition to its active development portfolio, the Company has further greenfield development opportunities of 1.1GW, which it is in the process of converting to its active development portfolio.

The Company's 90% owned subsidiary, MRE US Wind & Solar Corp, Revolve Afton Solar LLC, Revolve Lordsburg Solar LLC and Revolve Vernal BESS LLC, serve as developers of its renewable energy electricity generation projects located in the USA.

In January 2023, the Company announced the sale of its 250MW Parker Solar and Storage project and the 1,000MW Bouse Solar and Storage project to ENGIE IR Holdings LLC through a share purchase agreement in which ENGIE IR Holdings LLC acquired 100% of the shares in Revolve Renewable Power AZ LLC and Revolve Parker Solar LLC.

Distributed Generation Assets

In April 2022, the Company announced its intention to establish a new division, Revolve Renewable Business Solutions, to focus on the distributed generation market and sub 20MW renewable energy projects. This new division targets both "behind the meter" and grid-connected wind, rooftop solar, ground-mounted solar, battery storage and related energy efficiency projects in the US and Mexico.

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In August 2022, the Company completed the acquisition of a 100% interest in Centrica Business Solutions Mexico S.A. de C.V. ("CBS Mexico"). This acquisition provides the Company with an established and ongoing recurring revenue stream from six operating distributed generation projects, and near-term visibility to revenues from one additional distributed generation project expected to be operational during Q1 2023. CBS Mexico has operational projects with a total capacity of 2.85MW and a construction project with a projected capacity of 3MW that is fully constructed and awaiting final permit and is expected to be operational during H1 2023.

The CBS Mexico acquisition has currently recorded a net consideration of \$1,332,489 (MXN\$26,569,502) in the accounts after adjusting for working capital and cash and cash equivalents acquired (see note 4 in the accompanying financial statements). The Company is in the process of assessing the fair value of the assets and liabilities acquired and expects to finalize the accounting for the asset acquisition by March 31, 2023.

In September 2022, the Company announced that it had signed an energy services contract for a new 3.2MWh ("megawatt per hour") Battery Energy Storage System ("BESS") (the "Project"). This is the first BESS project signed under the Company's recently established distributed generation ("DG") business and complements the acquisition of CBS Mexico. The Project increases the Company's DG capacity in operation and under construction by 50% to approximately 9MWh. The 3.2MWh battery storage system is being installed at the site of a major hotel chain in Cancun, Mexico. Revolve is the owner of the Project with responsibility for the financing, installation and operation of the BESS system. A 10-year Energy Services Agreement (or "ESA") has been signed between the Company and the hotel operator for the provision of peak shaving and other energy related services. Under the ESA, Revolve will receive an annual fixed payment in addition to sharing the energy savings delivered by the Project over the 10-year contract period. An Engineering Procurement Contract (or "EPC") has been signed with Quartux Mexico S.A. de C.V. ("Quartux"), a highly experienced installer and operator of battery storage systems in Mexico, to deliver a turnkey solution for the installation and commissioning of the BESS system. In addition to the EPC, a 10-year Maintenance Agreement has been signed with Quartux for the day-to-day operation and optimization of the system including all routine maintenance. The Project is targeted to be operational in Q1 2023 and will add to the Company's recurring revenue base.

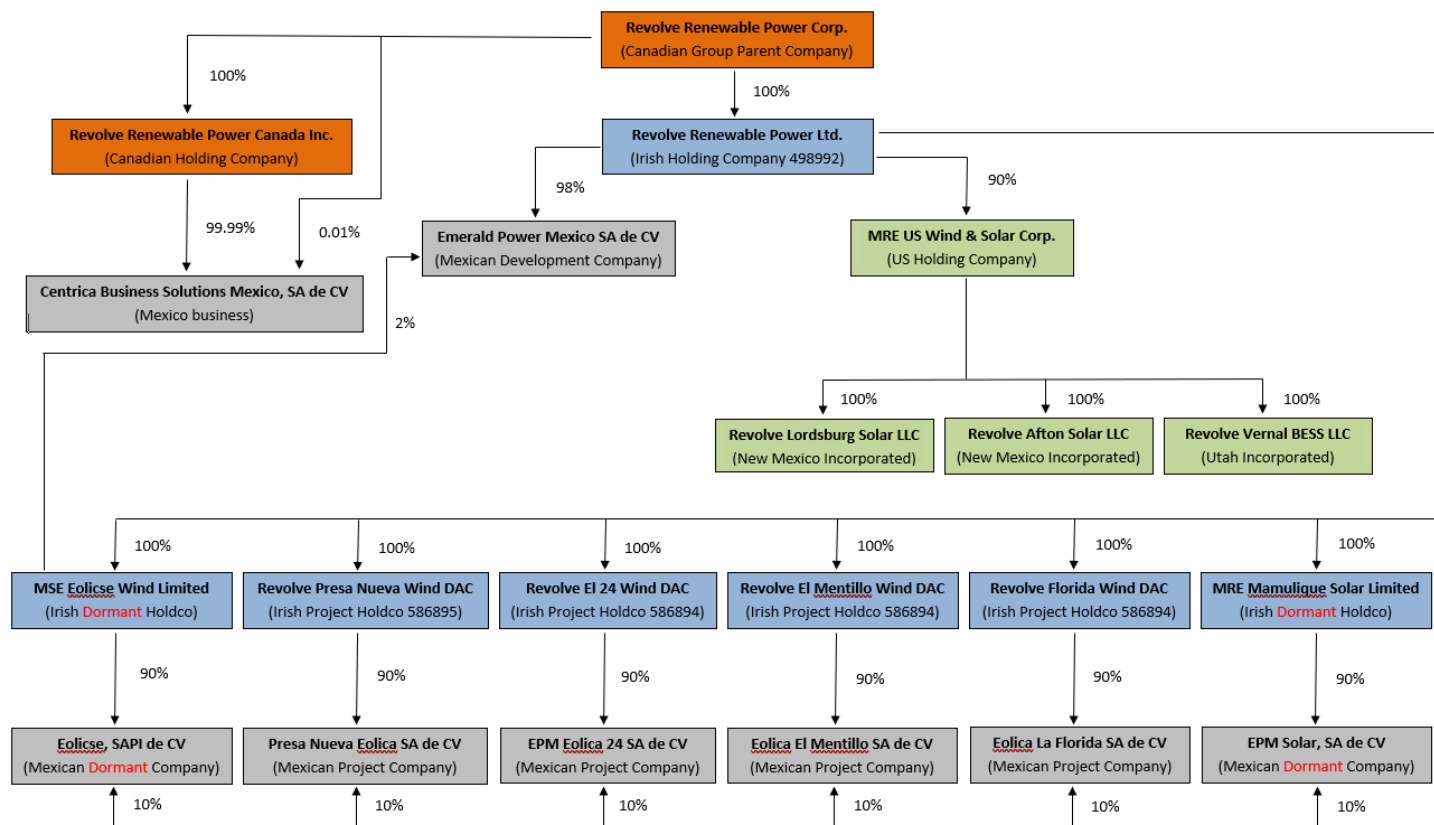
The Company has the following material subsidiaries:

- Revolve Renewable Power Limited (formerly Mexican Renewable Energy Limited), incorporated in Ireland – 100% owned;
- MRE Wind & Solar Inc, incorporated in Wyoming, United States of America - 90% owned;
- Emerald Power Mexico S.A. de C.V., incorporated in Mexico - 100% owned;
- Revolve Presa Nueva Wind DAC, incorporated in Ireland - 100% owned;
- Revolve El 24 Wind DAC, incorporated in Ireland - 100% owned;
- Revolve El Mentillo Wind Limited, incorporated in Ireland - 100% owned
- Revolve Florida Wind Limited, incorporated in Ireland - 100% owned; and
- Centrica Business Solutions Mexico S.A. de C.V., incorporated in Mexico – 100% owned

During the period ended June 30, 2022, Eólica El Sarro, S.A. de C.V. underwent a name change to Eólica La Florida, S.A. de C.V. and El Sarro Solar, S.A. de C.V. underwent a name change to Eólica El Mentillo, S.A. de C.V. These companies are Mexican subsidiaries of the Irish holding companies indicated in the below table.

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Overall Performance and Results of Operations

As at December 31, 2022, total assets increased to \$5,448,570 from \$4,565,238 at June 30, 2022. The most significant assets at December 31, 2022, were cash of \$1,140,492, (June 30, 2022: \$2,547,352), electricity generating assets and goodwill \$1,097,972 (June 30, 2022: \$ Nil), receivables of \$792,298 (June 30, 2022: \$Nil), sales tax receivable of \$1,653,474 (June 30, 2022: \$298,104), and prepaid distributed generation assets under construction of \$465,919 (June 30, 2022 - \$Nil).

The most significant increases in the total assets at December 31, 2022, compared to June 30, 2022, are attributed to:

- o Intangible assets increased by \$1,097,972 as a result of the purchase of Centrica Business Solutions Mexico S.A. de C.V.;
- o Sales tax receivable increased by \$1,355,370 to \$1,653,474 (June 30, 2022 - \$298,104) as a result of the tax asset acquired by the purchase of Centrica Business Solutions Mexico S.A. de C.V. (refer to note 4 in the financial statements);
- o Receivables increased to \$792,298 as a result of the historical receivables acquired by the purchase of Centrica Business Solutions Mexico S.A. de C.V. and current receivables from the distributed generation assets (refer to note 4 in the financial statements); and
- o Prepaid expenses, including distributed generation assets under construction, increased by \$470,894 to \$562,195 (June 30, 2022 - \$91,301) as a result of the prepayment to Quartux for the installation of the battery storage systems in Mexico.

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As at December 31, 2022, total liabilities increased to \$3,649,379 from \$1,639,629 at June 30, 2022. The most significant liabilities at December 31, 2022, were accounts payable and accrued liabilities of \$2,003,962 (June 30, 2021: \$298,029) and loans of \$1,645,417 (June 30, 2022: \$1,241,600).

The most significant increases in liabilities at December 31, 2022, compared to June 30, 2022, are attributed to:

- o Accounts payable increased by \$1,605,933 to \$2,003,962, compared to \$398,029 on June 30, 2022. The increase is largely due to the IVA collections agreement and receivables collections agreement in relation to the purchase of Centrica Business Solutions Mexico S.A. de C.V. (refer to note 4 in the financial statements); and
- o Loans increased by \$403,817 to \$1,645,417 compared to \$1,241,600 on June 30, 2022 as a result of the first tranche draw down of a secured loan in relation to a financing agreement signed with RE Royalties Ltd to fund the Company's first battery storage system that will be installed at a site of a major hotel chain in Cancun, Mexico.

Three months ended December 31, 2022 and 2021

Loss for the three months ended December 31, 2022, was \$186,060, which has decreased from loss of \$305,395 for the three months ended December 31, 2021. The \$119,335 decrease in loss is due to:

- o An increase in gross profit of \$73,257 for the period ended December 31, 2022, compared to the period ended December 31, 2021. During the three-month period ended December 31, 2022, the Company earned revenues related to the electricity generation for the new distributed generation business unit;
- o A significant movement in foreign exchange of \$752,881 to a gain of \$722,191 as compared to a loss of \$30,690 in the period ended December, 2021;
- o An Increase in consulting and professional fees of \$138,812 to \$239,038 largely in relation to final audit fees that were unaccrued for the year ended June 30, 2022;
- o A decrease in development expenses of \$31,165 to \$65,786 as compared to \$96,951 during the period ended December 31, 2021 due to the varying stages that the development projects are at within each quarter which was offset by a refund of certain development expenses by El Paso Electric;
- o An increase in general and administrative expenses to \$284,693 from \$56,067 during the period ended December 31, 2021. This is due to increased company activity since the completion of the RTO which includes general operating expenses, rent, loan closing fees, travel expenses, marketing, investor relations, transfer agent expenses, and costs associated with an Annual General Meeting within the period ended;
- o An increase in interest expenses to \$38,917 as a result of interest payments relating to the financing loans for the Acquisition of Centrica Business Solutions Mexico S.A. and the Energy Services Contract for the Battery Energy Storage System being installed;
- o Management fees increased to \$77,311 as compared to \$18,156 during the period ended December 31, 2021 due to increased management activity since the completion of the RTO;
- o An increase in share-based compensation to \$237,133 (2021 - \$Nil) due to an options grant carried out within the period ended; and
- o Transaction and acquisition costs increased to \$34,217 (2021 - \$3,405) in relation to expenses incurred for the acquisition of Centrica Business Solutions Mexico S.A. de C.V.

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Six months ended December 31, 2022 and 2021

Loss for the six months ended December 31, 2022, was \$759,057, which has decreased from loss of \$925,180 for the three months ended December 31, 2022. The \$166,123 decrease in loss is due to:

- o An increase in gross profit of \$97,833 for the period ended December 31, 2022, compared to the period ended December 31, 2021. During the six month period ended December 31, 2022, the Company earned revenues related to the electricity generation for the new business unit for four consecutive months from September to December;
- o A significant gain in foreign exchange of \$709,211 to a gain of \$610,850 as compared to a loss of \$98,361 in the period ended December, 2021;
- o An Increase in consulting and professional fees of \$115,244 to \$362,016 largely in relation to final audit fees that were unaccrued for the year ended June 30, 2022;
- o A decrease in development expenses of \$354,752 to \$118,696 as compared to \$473,448 during the period ended December 31, 2021 due to the varying stages that the development projects are at within each quarter which was offset by a refund of certain development expenses by El Paso Electric;
- o An increase in general and administrative expenses to \$466,429 from \$80,665 during the period ended December 31, 2021. This is due to increased company activity since the completion of the RTO which includes general operating expenses, rent, loan closing fees, travel expenses, marketing, investor relations, transfer agent expenses, and costs associated with an Annual General Meeting within the period ended;
- o An increase in interest expenses to \$69,835 as a result of interest payments relating to the financing loans for the acquisition of Centrica Business Solutions Mexico S.A. and the Energy Services Contract for the Battery Energy Storage System being installed in Cancun, Mexico;
- o Management fees increased to \$155,714 as compared to \$22,529 during the period ended December 31, 2021 due to increased management activity since the completion of the RTO;
- o An increase in share-based compensation to \$237,133 (2021 - \$Nil) due to an options grant carried out within the period ended; and
- o Transaction and acquisition costs increased to \$53,504 (2021 - \$3,405) in relation to expenses incurred for the acquisition of Centrica Business Solutions Mexico S.A. de C.V.

Liquidity and Capital Resources

As at December 31, 2022, the Company had working capital deficit of \$1,050,602 (June 30, 2022: working capital of \$2,527,678). The Company has incurred negative cash flows from operations of \$1,712,236 and recorded a loss of \$759,057 for the period ended December 31, 2022 (December 31, 2021: negative cash flows from operations of \$959,460 and loss of \$925,180, respectively), and has an accumulated deficit of \$7,885,397 as at December 31, 2022 (June 30, 2022: \$7,145,641). The accompanying interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. While the Company anticipates it has sufficient capital to meet its current obligations and planned activities for at least twelve months from December 31, 2022, the Company expects it will need to raise additional capital to carry out its long-term objectives. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. Subsequent to the period ended December 31, 2022, the Company received an upfront payment of \$2,000,000 as part of the sale of its 250MW Parker Solar and Storage Project and the 1,000MW Bouse Solar and Storage Project to ENGIE IR Holdings LLC.

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Selected Annual and Quarterly Information

	Period ended December 31, 2022	Year ended June 30, 2022	Year ended June 30, 2021
Total assets	\$ 5,448,570	\$ 4,565,238	\$ 663,658
Total liabilities	\$ 3,649,379	\$ 1,639,629	\$ 103,260
Operating expenses	\$ (856,890)	\$ (3,674,676)	\$ (1,299,425)
Other income	\$ 97,833	\$ 327	\$ 1,614,000
Income (loss)	\$ (759,057)	\$ (6,456,046)	\$ 308,412
Comprehensive income (loss)	\$ (1,522,104)	\$ (6,008,321)	\$ 428,940
Basic and diluted income (loss) per share	\$ (0.03)	\$ (0.22)	\$ 0.02

Other income for the period ended December 31, 2022 increased to \$97,833 from \$327 in the year ended June 30, 2022. The increase was the result of revenues from the distributed energy business unit.

Income for the year ended June 30, 2021 decreased to \$1,614,000 from \$4,842,000 in the year ended June 30, 2020. The decrease in income was due to the final milestone payment under the development services agreement for the 269MW Dolores Wind project representing the lowest milestone payment to be received under this agreement

Summary of Quarterly Results

Values shown in US dollars.	Three months ended			
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Other income	\$ 73,257	\$ 24,576	\$ 327	\$ -
Net income (loss)	(186,060)	(572,997)	88,486	(5,619,352)
Comprehensive income (loss)	(836,053)	(113,054)	1,112,569	(7,740,675)
Basic and diluted income (loss) per share	(0.01)	(0.02)	0.01	(0.17)

Values shown in US dollars.	Three months ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Other income	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(305,395)	(619,785)	(1,189,744)	348,706
Comprehensive income (loss)	(627,075)	(7,290)	1,249,008	(348,700)
Basic and diluted income (loss) per share	(0.03)	0.04	(0.03)	(0.02)

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The comprehensive loss for the period ending March 31, 2021 is a result of large foreign exchange gains for both unrealized foreign exchange and foreign currency translation adjustments. The comprehensive income for the period ended June 30, 2021 is a result of general operating costs and development costs of \$1,184,210. The comprehensive loss for the period ended September 30, 2021 is a result of general operating expenses and development costs totalling \$619,785. The comprehensive loss for the period ended December 31, 2021 is the result of general operating and development expenses totalling \$305,395, and foreign exchange loss of \$117,893. The increase in comprehensive loss for the three months ended March 31, 2022, is primarily attributed to the listing expense of \$2,786,458 arising from the RTO and an increase in total operating expenses and development costs of \$2,586,897. The comprehensive income for the period ended June 30, 2022 is largely a result of the revaluation of the share based compensation and listing expenses. The comprehensive loss for the period ended September 30, 2022 is due to operating expenses of \$597,573 which was slightly offset by revenues of \$24,276 from the generation business unit. The comprehensive loss for the period ended December 31, 2022 is due to operating expenses of \$259,317, which consisted of a foreign currency translation adjustment of \$649,993 and significantly increased operating expenses of \$981,508 which were offset by a significant gain in foreign exchange of \$722,191 and further offset by revenues of \$73,257 from the electricity generating business unit.

Outstanding Share Data

Issued and fully paid common shares

As at the date of this MD&A, there were 54,905,565 common shares outstanding.

Changes in issued share capital and equity reserves for the period ended December 31, 2022, are as follows:

- No change.

Changes in issued share capital and equity reserves for the period ended December 31, 2021, were as follows:

- On August 30, 2021, Revolve Renewable Power Limited completed a non-brokered private placement of 3,838,079 units at a price of €0.815 per unit for gross proceeds of \$3,680,131 (€3,128,034). Each unit is comprised of one common share (a "Share") in the capital of the Company and one common share purchase warrant (a "Warrant") valued at \$Nil. Each Warrant will entitle the holder to purchase one additional Share at a price of €1.20 per share for a period of 18 months from closing. As part of the Transaction, the units were exchanged for 9,595,187 units of the Company at an exchange rate of one unit in Revolve for two and a half (2.5) units of the Company. Each unit has an effective price of C\$0.50 and includes one full post-consolidation common share purchase warrant entitling the holder to acquire one additional common share at a price of C\$0.75 per share for a period of 18 months following the closing of the Transaction.

Escrowed shares

Certain shares are held in escrow pursuant to an escrow agreement dated March 7, 2022 (the "Escrowed Shares"). The Escrowed Shares are released as follows (i) 10% of the Escrowed Shares on the date of publication of the TSXV exchange bulletin in respect of the RTO, and (ii) 15% of the Escrowed Shares every six months thereafter. As at December 31, 2022, there were 23,899,400 shares held in escrow and as at the date of this report, there are 23,899,400 shares in escrow.

Incentive share options

In March 2022, the Company granted an aggregate of 3,500,000 incentive share options to officers, directors, employees and consultants of the Company, exercisable at a price of \$0.50 per share until March 7, 2025, vesting on grant.

In March 2022, the Company granted an aggregate of 212,500 replacement incentive share options to former officers, directors, employees and consultants of Philippine Metals Inc. to replace previously un-expired options they held in Philippine Metals Inc. These replacement share options were exercisable at a price of C\$0.28 per share. These replacement options expired on July 6, 2022.

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In November 2022, the Company granted an aggregate of 1,300,000 share options to officers, directors, employees and consultants of the Company, exercisable at a price of \$0.50 per share until November 7, 2025, vesting on grant. As at December 31, 2022, there were 4,800,000 share options outstanding. As at the date of this report, there are 4,800,000 options outstanding.

Warrants

In March 2022, the Company issued an aggregate of 280,588 non-transferrable broker warrants to purchase one unit of the Company (a "Unit") with a fair value of \$40,607 (C\$51,867) to various agents which was charged to listing expense in the consolidated statement of loss and comprehensive loss. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant ("Broker Warrant"), exercisable at a price of \$0.50 per share until September 8, 2023. Each Broker Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of \$0.75 for a period of 18 months following September 8, 2023.

In March 2022, the Company issued to the holders of Revolve Renewable Power Corp. (formerly Philippine Metals Inc.) an aggregate of 5,180,793 non-transferrable warrants, exercisable at a price of \$0.75 per share until September 8, 2023, as part of the Subscription receipts that were received for the private placement financing in December 2021, in order to register these in the resulting issuer at the close of the RTO transaction.

In March 2022, the Company issued to the holders of the Revolve Renewable Power Limited an aggregate of 9,595,187 non-transferrable warrants, exercisable at a price of \$0.75 per share until September 8, 2023, as part of the Subscription receipts that were received for the private placement financing in December 2021, in order to register these in the resulting issuer at the close of the RTO transaction.

As at December 31, 2022, and the date of this report, there were 15,056,575 warrants outstanding.

The table below summarizes the outstanding share capital of the Company as at the date of this MD&A:

	Number of shares issued or issuable
Common shares	54,905,565
Preferred shares	-
Stock options	4,800,000
Warrants	15,056,575

Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's board of directors and corporate officers.

During the period ended December 31, 2022, key management personnel compensation, including directors and officers, was comprised of \$231,031 (2021: \$165,716), of which \$25,000 related to directors' fees, of which \$25,000 are accrued and \$206,031 related to management, consulting, administrative and accounting fees, and salaries (2021: \$Nil, \$Nil and \$165,716, respectively).

As at December 31, 2022, amounts included in accounts payable and accrued liabilities due to related parties was \$51,941 (June 30, 2022: \$61,334)

Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 2 of the Company's financial statements as at and for the period ended December 31, 2022, except for newly adopted accounting policies as noted below, if any.

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The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial Instruments and Financial Risk Management

Financial Instruments

The Company's financial instruments consist of cash, other receivables, sales tax receivable, deposits and accounts payable and accrued liabilities.

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at December 31, 2022, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments or market rates of interest.

Financial Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$1,140,492 (June 30, 2022 - \$2,547,352) to settle current liabilities of \$2,003,962 (June 30, 2022 - \$398,029), of which \$1,484,950 (2021 - \$Nil) relate to historical receivables repayment liability (See note 4 in the accompanied financial statements), and \$519,012 (2021 - \$58,949) relate to general accounts payable and accrued liabilities. Most of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms, with the exception of the RE Royalty Ltd. loans (note 10).

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, sales tax receivable and deposits. The Company limits its exposure to credit loss by placing its cash with major financial institutions. Majority of the sales tax receivable arose from refundable sales tax from government taxation authorities in Mexico. A deposit held with El Paso Electric was refunded to the Company during the period ended December 31, 2022. The Company has exposed itself to certain credit risks in relation to the power purchase agreements and the customers acquired as part of the acquisition of Centrica Business Solutions Mexico S.A. de C.V., which could result in uncollected receivables.

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Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

a) Interest rate risk

The Company has cash balances and interest-bearing debt of \$1,180,811 (C\$1,600,000), maturing on June 15, 2024 with a fixed interest rate of 10% p.a. and interest-bearing debt of \$464,606 (C\$629,541), maturing 24 months from date of signing with fixed interest rate of 12% p.a. and therefore is not exposed to risk in the event of fluctuations.

b) Foreign currency risk

The Company has operations in Canada, Mexico and the USA and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in US dollars. The fluctuations of the operating currencies in relation to the US dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. The Company held a net monetary asset position of €306,003 in Euros, MXN1,452,019 in Mexican Peso and of C\$736,342 Canadian dollars as of December 31, 2022, with the effect on profit or loss before tax of a 10% fluctuation to the US dollar being \$1,140,492.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices and the stock market to determine the appropriate course of action to be taken by the Company.

Risks and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which includes the acquisition, financing and development of renewable energy projects. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. The risks and uncertainties incorporated in this section by reference are not inclusive of all the risks and uncertainties the Company may be subject to, and other risks may apply, but are considered by management to be the most important in the context of the Company's business.

Development Activities and Going Concern

While the Company has a history of profitable operations, its present portfolio of projects are still under development with no certainty on the likelihood of generating future profits for the Company. As such, the Company is subject to many risks including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the current stage of development of its portfolio of development projects.

The Company is currently actively seeking various sources of future revenue in order to maintain operations and seek further growth and expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out the Company's projects to other larger companies operating in the renewable energy sector.

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The Company expects to incur further losses in the development of its business particularly as it relates to its expansion plans for the US market, all of which cast substantial doubt on the Company's ability to continue as a going concern. It is expected that the Company will require additional financing in order to meet ongoing levels of corporate overhead, discharge its liabilities as they come due, to make further investments in both its current active project development portfolio and to take advantage of future growth opportunities. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to the Company. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Company may change, and shareholders may suffer additional dilution. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in one or more of its project development assets.

Dependence on Management and Key Personnel

The Company depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The contributions of the existing management team are likely to be of central importance. In addition, the competition for qualified personnel in the Company's industry is significant and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of the Company.

Economic Conditions

Current and future unfavorable economic conditions could negatively impact the Company's financial viability. Unfavorable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of financing for the Company.

Epidemics and Pandemics

The spread of any outbreak has caused and could continue to cause severe disruptions in the global economy and financial markets and could potentially create future widespread business continuity issues of an as yet unknown magnitude and duration.

The actual or potential threatened spread of any pandemic or epidemic globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn. The extent to which any disease, epidemic or pandemic impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning current epidemics and the actions required to contain or treat its impact.

We continue to closely monitor the potential impact of any potential pandemic or epidemic on our financial results and cash flows at a Company and project level and at present do not expect any significant impact.

Regulations, Permits and Licenses

The Company's operations are principally based in the US and Mexico where it is subject to various laws and regulations governing the electricity sector and the protection of the environment. The Company requires permits, licenses and authorizations from various US Federal, State and local authorities as well as various Mexican authorities and such operations are governed by laws and regulations applicable for the development, construction and operation of renewable electricity generation facilities. The Company believes that it is in substantial compliance with all material laws and regulations which currently apply to its activities.

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There can be no assurance that all permits, licenses and authorizations which the Company may require for its project development activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any renewable energy project which the Company might undertake.

In addition, the Company's project development activities require the submission and approval of environmental impact assessments and reports. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for noncompliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to increase the development cost associated with any project being undertaken by the Company. The Company intends to fully comply with all environmental regulations.

Competition and Agreements with Other Parties

The renewable energy industry is highly competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to secure suitable project sites, secure interconnection capacity as well as generally affect the future prospects of the Company.

Customer Concentration

Historical operating income has been largely derived from a development services agreement related to the 269MW Dolores Wind project. The Company's obligations under this services agreement have been completed and all associated revenue has been earned and accrued by the Company. The Company has established recurring revenue stream from six operating distributed energy projects were acquired during the period ended September 30, 2022, with another project awaiting final permits to become fully operational. The Company expects to achieve further recurring revenue streams through its first battery storage system anticipated to be installed at the site of a major hotel chain in Cancun, Mexico. The Company has also signed a share purchase agreement for the sale of its Parker Solar and Storage Project and its Bouse Solar and Storage Project, with an initial upfront payment of \$2,000,000 and further consideration to be received as certain development milestones are reached.

Currency Risks

The principal business activities of the Company will be denominated in Mexican pesos and US dollars. As a result, the cost of the Company's ongoing activities will be affected by currency fluctuations between Euro and international currencies, particularly the Mexican peso and US dollar.

Off-Balance Sheet Arrangements

The Company does not have nor expects to have any material off-balance sheet arrangements.

Proposed Transactions

The Company does not have any proposed transactions as at December 31, 2022, other than what has already been disclosed in the subsequent event notes in the accompanying financial statements for the period ended December 31, 2022.

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Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual consolidated financial statements and respective accompanying MD&A. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Additional information relating to the Company is available on SEDAR at www.sedar.com.