

**CastleCap Capital Inc.**  
(a Capital Pool Company)

**Management's Discussion and Analysis**

For the period from incorporation on November 8, 2018 to June 30, 2019

**Introduction**

This management's discussion and analysis ("MD&A") of CastleCap Capital Inc. ("CastleCap" the "Corporation" or the "Company") is prepared by management and should be read in conjunction with the Company's condensed financial statements as at June 30, 2019 and the notes thereto. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars unless otherwise noted.

This MD&A is dated August 27, 2019 and is in respect of the period from incorporation on November 8, 2018 to June 30, 2019.

**Forward-Looking Statements**

This MD&A may contain "forward-looking statements" which reflect expectations regarding future results of operations, performance and achievements of the Company. All statements, other than a statement of historical fact, may be forward-looking statements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements. The risks include those outlined under the "Risk Factors" section of this MD&A and elsewhere in the Company's public disclosure documents. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Readers are cautioned not to place undue reliance on these forward-looking statements. All forward-looking statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

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

**Nature of the Business and Incorporation**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on November 8, 2018 and is classified as a CPC, as such term is defined Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (the "Exchange"). The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as such term is defined in Policy 2.4 – *Capital Pool Companies* of the Exchange.

The Company's operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the

regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders. The Company is required to complete its Qualifying Transaction on or before two years from the date the Company's Class "A" Common voting shares were listed for trading on the Exchange.

The ability of the Company to complete a Qualifying Transaction may require additional funding and there is no assurance that the Company will be successful in obtaining any additional funding. In addition, there is no assurance the Company will identify a business or asset that warrants an acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Company's Class "A" Common voting shares from trading.

On February 25, 2019, the Company received receipt for the final prospectus from the Alberta Securities Commission and British Columbia Securities Commission relating to the proposed issuance of 2,000,000 Class "A" Common voting shares at a price of \$0.10 per Class "A" Common voting share (the "Offering" or "IPO") for gross proceeds of \$200,000. Chippingham Financial Limited (which subsequently has been purchased by PI Financial Corp.) (the "Agent") was appointed as agent for the Offering pursuant to an agency agreement between the Company and the Agent.

On May 22, 2019, the Corporation completed its Initial Public Offering ("IPO") of 2,000,000 common shares at \$0.10 per share (\$200,000). The Corporation paid a commission of 10% of gross proceeds to the Agent, and granted the Agent warrants to acquire 10% of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Corporation's common shares are listed on the TSX Venture Exchange exercisable at \$0.10 per share. The Corporation also paid a corporate finance fee upon the closing of the offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. The Corporation incurred cash issuance costs related to the IPO of \$93,701 and the value attributed to the warrants granted to the Agent is \$10,578.

The Class "A" Common voting shares of the Company were listed for trading on the Exchange on May 22, 2019 under the trading symbol *CSTL.P*.

On June 12, 2019, the Corporation granted 400,000 options to directors and officers, which are exercisable within ten years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of ten years. The value attributed to these options was \$35,832.

The Company's registered head office is 1250, 639 – 5<sup>th</sup> Ave SW Calgary, Alberta T2P 0M9.

### **Summary of Quarterly Results**

The Company was incorporated on November 8, 2018 and was not a "reporting issuer" pursuant to applicable securities legislation until February 25, 2019, the date of the final receipt for the prospectus as issued by the Alberta Securities Commission and the British Columbia Securities Commission, thereby becoming a "reporting issuer" in each of the provinces of Alberta and British Columbia.

The following table presents financial information from the date of incorporation on November 8, 2018 to March 31, 2019 prepared in accordance with IFRS and expressed in Canadian Dollars.

<b>Selected Statement of Operations Data:</b>	
	June 30, 2019 <sup>(1)</sup>
Revenue	\$ 191
Expenses	\$52,059
Net gain/(loss) and comprehensive gain/(loss)	\$(51,868)
Basic and diluted loss per share	\$0.12
<b>Selected Statement of Financial Position Data:</b>	
Cash	\$196,984
Total assets	\$200,841
Accounts payable and accrued liabilities	\$nil
Shareholders' equity (deficiency)	\$200,841

(1) For the period from incorporation on November 8, 2018 to June 30, 2019.

## Results of Operations

During the period from incorporation on November 8, 2018 to June 30, 2019, the Company incurred a net loss of \$51,868. The loss primarily relates to stock-based compensation (\$46,410) and costs related to administrative overhead (\$4,117) and professional fees (\$1,532).

The following table is a summary of the Company's cumulative financial results as of March 31, 2019:

	November 8, 2018 to June 30, 2019
Net loss and comprehensive loss	\$51,868
Net loss per share	\$0.12
Working capital	\$200,841
Total assets:	\$200,841
Cash flow from operating activities	\$(9,315)
Cash flow from financing activities	\$206,299

## Liquidity and Capital Resources

As of June 30, 2019, the Company had \$196,984 in cash and a working capital of \$200,841. The net cash used in operating activities for the period from incorporation on November 8, 2018 to March 31, 2019 was \$9,315. This was primarily due to the expenses relating to stock-based compensation (\$46,410) and costs related to administrative overhead (\$4,117) and professional fees (\$1,532).

The Company incurred a net loss of \$51,868.

Management anticipates that ongoing costs relating to the identification, evaluation, due diligence, negotiation and completion of a Qualifying Transaction will be incurred in future periods. The timing and magnitude of these costs is not predictable. These costs may be significant and could possibly result in higher general and administrative expenses. To date, the Company has procured working capital through equity financing. The Company acknowledges that it may require additional funding to complete a Qualifying Transaction. As such, if needed, the Company will seek to raise additional capital and believes that it will be able to do so, but recognizes the uncertainty attached thereto. Funding requirements may vary from those planned due to a number of factors.

## **Off Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

## **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. During the period from November 8, 2018 to June 30, 2019, the Company incurred no related party transactions.

## **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, GST receivable and accrued liabilities. Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks. Financial assets are required to be initially measured at fair value and subsequently classified at amortized costs or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are initially measured at fair value and subsequently classified as amortized cost.

## **Management of Capital**

The Company's capital currently includes equity, comprised of issued Class "A" Common voting shares. The Company defines capital as total equity which was \$200,841 at June 30, 2019. The Company's source of cash is from the issuance of Class "A" Common voting shares.

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

The proceeds raised from the issuance of Class "A" Common voting shares may only be used to identify and evaluate assets or business for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the Class "A" Common voting shares or general and administrative expenses of the Company. These restrictions apply until completion of a Qualifying Transaction.

## **Share Capital**

### *Class "A" Common voting shares*

As at June 30, 2019, the Company had 4,000,000 Class "A" Common voting shares issued and outstanding.

Pursuant to an escrow agreement dated February 25, 2019 between the Company, TSX Trust Company and certain shareholders of the Company, 2,000,000 Class "A" Common voting shares, being issued and

outstanding Class “A” Common voting shares prior to the completion of the Offering, have been deposited in escrow. Upon the Company completing its Qualifying Transaction, Class “A” Common voting shares held pursuant to the escrow agreement shall be released as to 10% immediately following the issuance of the bulletin of the Exchange announcing final acceptance of the Qualifying Transaction (the “Initial Release”) and an additional 15% shall be release every six months commencing six months following the Initial Release.

### *Options and Warrants*

As at June 30, 2019, the Company has a total of 600,000 options and warrants outstanding.

On May 22, 2019, the Corporation granted 200,000 warrants to the Agent, which are exercisable within two years from the date of grant at an exercise price of \$0.10 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these options was \$10,578.

On June 12, 2019, the Corporation granted 400,000 options to directors and officers, which are exercisable within ten years from the date of grant at an exercise price of \$0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of ten years. The value attributed to these options was \$35,832.

### **Risk Factors**

There are a number of risks that may have a material adverse impact on the future operating and financial performance of the Company. These include risks that are widespread risks associated with any form of business. While most risk factors are largely beyond the control of the Company and its directors, the Company will seek to mitigate these risks where possible.

### *No Operating History*

The Company was incorporated on November 8, 2018, has not commenced commercial operations, and has no assets other than cash. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. Until completion of a Qualifying Transaction, the Company is not permitted to carry on any business other than the identification and evaluation of potential Qualifying Transactions. The Company has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

### *Possible Trading Suspension or Delisting*

The Exchange may suspend from trading or delist the securities of the Company where the Company has failed to complete a Qualifying Transaction within the 24 months of the date of listing or if the Company fails to meet initial listing requirements of the Exchange upon completion of a Qualifying Transaction. Suspension from trading of the Class “A” Common voting shares may, and delisting of the Class “A”

Common voting shares will, result in the regulatory securities authorities issuing an interim cease trade order against Company. In addition, delisting of the Class “A” Common voting shares will result in the cancellation of all of the currently issued and outstanding Class “A” Common voting shares of the Company held by insiders. Trading in the Class “A” Common voting shares of the Company 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.

### *Halt of Trading*

Upon public announcement of a potential Qualifying Transaction, trading in the Class “A” Common voting shares of the Company will be halted and will remain halted until completion of the Qualifying Transaction, or sooner pursuant to Policy 2.4 – *Capital Pool Companies*. Neither the Exchange nor any securities regulatory authority passes upon the merits of the potential Qualifying Transaction.

### *Foreign Acquisition*

In the event the Company identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts.

### *Exchange May Not Approve a Qualifying Transaction*

Completion of a 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 the Minority Approval as such terms are defined in Policy 2.4 – *Capital Pool Companies*. Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction.

### *Approval by the Majority of the Minority*

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm’s Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Company of fair value for the common shares.

### *Dilution*

If the Company issues treasury shares to finance acquisition or participation opportunities, control of the Company may change and subscribers may suffer dilution of their investment.

### *Directors and Officers*

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company but will be devoting such time as required to effectively manage the Company. Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence

of such conflicts, the Company may be exposed to liability and its ability to achieve its business objectives may be impaired.

Additionally, directors and officers of the Company may also serve as directors and/or officers of other reporting issuers from time to time.

The Company has not purchased “key-man” insurance, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

#### *Reliance on Management*

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 directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Company.

#### *Loans or Advances*

Subject to prior acceptance from the Exchange, the Company may be permitted to loan or advance up to an aggregate of \$250,000 (\$25,000 without prior Exchange approval) of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Company will be able to recover the loan or advance.

#### *Volatile Financial Markets*

The extreme volatility occurring in the financial markets is a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Issuers like the Company are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets in order to raise the capital it will need to fund its current level of expenditures and identify, evaluate and close a Qualifying Transaction.

#### **Other Information**

Additional information relating to the Company is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Subsequent Events**

#### **Definitive Agreement with intention to complete its Qualifying Transaction**

Pursuant to the Letter of Intent signed on June 11, 2019 and disclosed in a press release dated June 13, 2019, the Company on August 27, 2019 has signed a Definitive Agreement with Plexus Technology Corp. ("Plexus") which outlines the general terms and conditions of a proposed transaction (the "Proposed Transaction") that will result in CastleCap acquiring all of the issued and outstanding common shares (the "Plexus Shares") and other securities of Plexus. The Proposed Transaction is currently expected to be completed by way of a three-cornered amalgamation or other similar transaction between CastleCap and Plexus which will result in Plexus becoming a wholly-owned subsidiary of CastleCap.

Plexus is incorporated in the Province of Alberta and is engaged in the business of utilizing local natural gas to generate electricity for various wholly owned enterprises. Plexus owns generation equipment to create electricity using Alberta's low-cost natural gas. The electricity will be sold to third parties, through multi-year Power Purchase Agreements (PPA's). A portion of the remaining generated electricity will be used to power large scale datacenters, blockchain miners, cannabis growers and greenhouse modules. Plexus enjoys a unique competitive advantage as stakeholder relationships have led to partnerships with energy producers that improve production net-backs for Plexus partners and provide wholesale priced electricity to off-take clients and to Plexus wholly owned enterprises.

## **Approval**

On August 27, 2019, the board of directors of the Company approved the disclosure contained in this MD&A and the financial statements for the period ended June 30, 2019. A copy of this MD&A will be provided to anyone who requests it.