

Anacott Acquisition Corporation

Management's Discussion and Analysis

Financial period ended March 31, 2021

Containing information as of May 18, 2021

Caution Regarding Forward-Looking Information

Certain of the statements made and information contained herein and in the financial statements is “forward-looking information” within the meaning of the *Securities Act* (Manitoba). These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. 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 and such forward-looking statements included herein should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date hereof and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

Description of Business

Anacott Acquisition Corporation was incorporated under the Canada Business Corporations Act on September 24, 2020 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The head office and the registered office of the Company is located at 360 Main Street, Winnipeg, Manitoba, R3C 4G1.

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 the policies of the Exchange. The Company has not commenced operations and has no assets other than cash. The Company’s continuing 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 proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of (i) 30% of the gross proceeds realized by the Company in respect of the sale of its securities, and (ii) \$210,000 may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a Qualifying Transaction by the Company. The Company is required to complete its Qualifying Transaction on or before two years from the date the Company’s shares were first listed on the Exchange.

On April 13, 2021, the Company completed its initial public offering of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000. The Company paid a commission of 10% of the gross proceeds of the offering to Canaccord Genuity Corp. (the “Agent”), the Agent’s administration fee of \$15,000, the Agent’s legal fees and direct costs of \$17,5000, and granted the Agent warrants to purchase 200,000 shares at a price of \$0.10 per share exercisable for a period of five years in respect of the offering.

Overall Performance and Discussion of Operations

First Quarter Results

During the first quarter of 2021, the Company's net loss was \$11,947. The net loss was due mainly to professional fees accrued in respect of the company's formation and listing on the Exchange.

Cash Flow

As of its March 31, 2021 quarter-end, the Company had cash of \$119,735, unchanged from the beginning of the year.

General

Current global uncertainty with respect to the COVID-19 pandemic and its effect on the Canadian economy and financial markets may have significant and as-yet unpredictable effects on the Company. While the impact remains unknown, ongoing spread of the virus and periodic future recurrences may have a material adverse effect on economic activity and could affect business plans, disrupt financial markets, and affect other factors relevant to the Company.

Summary of Unaudited Quarterly Results

	1 st Quarter 2021
Revenue	\$ -
Net loss	(11,947)
Net loss per share	-

The quarterly results summarized herein were prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Liquidity and Capital Resources

The Company does not yet generate positive cash flow from operations and is therefore reliant upon the issuance of its own common shares to fund its operations. As of the date hereof, the Company is adequately funded for the short- and medium-term. To fund its long-term plans, the Company must raise additional equity capital. There is, however, no certainty that such financings will be completed.

Subsequent to the end of the quarter, the Company completed an initial public offering of 2,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$200,000 and net proceeds of \$162,500.

The Company has no debt obligations and no commitments other than as described herein and in its financial statements. Management expects that the Company presently has enough working capital to fund operating costs through at least May 2022.

Outstanding Share Data

As of the date hereof, the Company has 4,400,000 common shares issued and outstanding.

Also as of the date hereof, the Company has outstanding warrants to purchase up to 200,000 shares at a price of \$0.10 per share until April 13, 2026 and options outstanding which may be exercised to purchase a total of 400,000 shares at a price of \$0.10 per share until November 26, 2025.

Transactions with Related Parties

During the first quarter of 2021, the Company accrued professional fees of \$3,000 in respect of services provided by a corporation controlled by a director.

Changes in Accounting Policies Including Initial Adoption

Amendment to IAS 1: Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. The Company is currently assessing the impact of this amendment.

Financial Instruments and Other Instruments

The fair value of the Company's cash and accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of these instruments unless otherwise noted. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company monitors and manages the risks relating to its financial instruments through analysis of exposures by degree and magnitude of risks. These risks include credit risk, market risk and liquidity risk.

Credit risk

Credit risk refers to the risk that another entity will default on its contractual obligations resulting in financial loss to the Company. As of March 31, 2021, such contractual obligations comprised cash held with high creditworthy financial institutions in the amount of \$119,735. Management considers this risk to be negligible.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Management considers this risk to be negligible.

Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive cost. As of March 31, 2021, the Company had working capital of \$68,788. Management anticipates that the Company will be able to meet its obligations as they become due.

Other Information

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

ON BEHALF OF THE BOARD

/s/ Michael Romanik
Michael Romanik, President