

WHATCOM CAPITAL II CORP.

(A Capital Pool Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED FEBRUARY 28, 2022

(Expressed in Canadian dollars unless otherwise stated)

Introduction

The following management discussion and analysis ("MD&A"), prepared as at June 27, 2022, should be read in conjunction with Whatcom Capital II Corp.'s (the "Company", "Whatcom") audited financial statements and the accompanying notes for the year ended February 28, 2022 and the audited financial statements and accompanying notes for the period from incorporation (January 14, 2021) to February 28, 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. For further information on the Company reference should be made to the Company's public filings which are available on SEDAR.

Description of Business

The Company was incorporated under the Business Corporations Act (British Columbia) on January 14, 2021 and is classified as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "TSX-V"). For the year ended February 28, 2022 and for the period from date of incorporation (January 14, 2021) to February 28, 2021, the Company had no business operations. The Company's principal business is the identification and evaluation of assets or a business (the "Qualifying Transaction") and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company's registered and head office address is 750-1095 West Pender Street, Vancouver, B.C. V6E 2M6. There is no assurance that the Company will identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or delist the Company's shares from trading.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

Initial Public Offering

During the year ended February 28, 2022, the Company filed a prospectus dated May 28, 2021 with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan and Ontario. On July 27, 2021, the Company completed its initial public offering ("IPO") in which it distributed 7,550,000 common shares of the Company at a price of \$0.10 per common share for aggregate gross proceeds of \$755,000 pursuant to the final prospectus dated May 28, 2021. The Company's common shares were listed on July 27, 2021 and commenced trading on the TSX Venture Exchange (the "Exchange") on July 29, 2021 under the trading symbol "WAT.P". Haywood Securities Inc. (the "Agent") acted as exclusive agent in respect of the IPO on a commercially reasonable efforts basis. Pursuant to the IPO, the Agent received a cash commission of 10% of the gross proceeds raised and an aggregate of 755,000 non-transferable common share purchase warrants entitling the Agent and members of its selling group to purchase 755,000 common shares at \$0.10 per common share at any time until July 27, 2023. The Agent also received a cash corporate finance fee in the amount of \$10,000. At the closing of the IPO, the Company also granted stock options (the "Options") to certain directors of the Company to acquire up to an aggregate of 800,000 common shares. Each Option is exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2026. Following completion of the IPO, the Company has 15,000,000 common shares issued and outstanding, 7,630,000 of which are subject to escrow restrictions pursuant to the policies of the Exchange.

As at February 28, 2022, the Company had a deficit of \$170,730 (2021 – \$6,767), which has been funded by the issuance of equity. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

Selected Financial Data - Summary of Annual Results

The following selected financial information is derived from the audited financial statements prepared in accordance with IFRS for the years ended February 28:

	Feb 28, 2022 \$	From the Date of Incorporation (January 14, 2021) to February 28, 2021 \$
General and administrative expenses	(163,963)	(6,767)
Net and comprehensive loss	(163,963)	(6,767)
Basic and diluted loss per share	(0.01)	(0.00)
Working capital	921,357	365,733
Total assets	931,817	372,218
Non-current liabilities	-	-

Year Ended February 28, 2022 compared to period from incorporation (January 14, 2021) to February 28, 2021

During the year ended February 28, 2022 (“Fiscal 2022”), the Company incurred net and comprehensive loss of \$163,963 compared to a net and comprehensive loss of \$6,767 for the period from incorporation (January 14, 2021) to Feb 28, 2021 (“Fiscal 2021”). During Fiscal 2022, general and administrative expense included the following: \$16,800 (Fiscal 2021 - \$Nil) for rent, \$39,806 (Fiscal 2021 - \$Nil) for filing fees and transfer agent, \$71,542 (Fiscal 2021 - \$Nil) for share-based payments, \$96 (Fiscal 2021 - \$282) for bank fees, \$45 (Fiscal 2021 - \$Nil) for office expenses and \$35,674 (Fiscal 2021 - \$6,485) for professional fees. During Fiscal 2022, of the \$35,674 in professional fees, \$30,424 related to legal fees pertaining to the Company’s prospectus which included its initial public offering and \$5,250 related to the Company’s audit. During Fiscal 2021, the Company was relatively inactive, incurring primarily legal fees which related to the Company’s incorporation and seed round of financing.

Selected Financial Data - Summary of Quarterly Results

The following selected financial information is derived from the unaudited interim financial statements prepared in accordance with IFRS.

	Feb 28, 2022 \$	Nov 30, 2021 \$	Aug 31, 2021 \$	May 31, 2021 \$	From the Date of Incorporation (January 14, 2021) to February 28, 2021 \$
General and administrative expenses	(32,151)	(6,815)	(99,076)	(25,921)	(6,767)
Net and comprehensive loss	(32,151)	(6,815)	(99,076)	(25,921)	(6,767)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Working capital	921,357	941,797	949,567	339,812	365,733
Total assets	931,817	941,797	956,136	361,506	372,218
Non-current liabilities	-	-	-	-	-

Three Months Ended February, 2022 compared to period from incorporation (January 14, 2021) to February 28, 2021

During the three months ended February 28, 2022 (“2022 Quarter”), the Company incurred net and comprehensive loss of \$32,151 compared to a net and comprehensive loss of \$6,767 for the period from incorporation (January 14, 2021) to Feb 28, 2021 (“2021 Period”). During the 2022 Quarter, general and administrative expense included the following: \$6,800 (2021 Period - \$Nil) for rent, \$6,405 (2021 Period - \$Nil) for filing fees and transfer agent, \$15 (2021 Period - \$282) for bank fees, \$45 (2021 Period - \$Nil) for office expenses, \$12,211 (2021 Period - \$Nil) for share-based payments adjustment and \$6,675 (2021 Period - \$6,485) for professional fees.

Financial Condition / Capital Resources

At February 28, 2022 the Company had a net working capital of \$921,357 (February 28, 2021 – \$365,733), cash of \$931,817 (February 28, 2021 – \$372,218), current liabilities of \$10,460 (February 28, 2021 – \$6,485) and had a deficit of \$170,730 (February 28, 2021 – \$6,767).

Cash Flows

Net cash used in operating activities during Fiscal 2022 was \$88,446 (Fiscal 2021 - \$282). The cash used in operating activities for the current year consists primarily of the operating loss and changes in non-cash working capital accounts.

During Fiscal 2022 and Fiscal 2021, investing activities did not provide any cash inflows or outflows.

During Fiscal 2022, financing activities provided net proceeds of \$648,045 (Fiscal 2021 - \$372,500) relating to proceeds from the issuance of common shares.

Financings and Related

On January 14, 2021, the Company issued 4,000,000 common shares at \$0.05 per share to the directors of the Company for proceeds of \$200,000.

On February 22, 2021, the Company completed a financing by issuing 3,450,000 common shares at \$0.05 per share for proceeds of \$172,500.

On July 27, 2021, the Company completed its IPO and issued 7,550,000 common shares (“Shares”) of the Company at a price of \$0.10 per Share for aggregate gross proceeds of \$755,000. Haywood Securities Inc. (the “Agent”) acted as exclusive agent in respect of the IPO. Pursuant to the IPO, the Agent received a cash commission of 10% of the gross proceeds raised and an aggregate of 755,000 non-transferable common share purchase warrants entitling the Agent and members of its selling group to purchase 755,000 common shares at \$0.10 per common share at any time until July 27, 2023. The Agent also received a cash corporate finance fee in the amount of \$10,000 and legal fees of \$20,000. The fair value of the 755,000 Agent Warrants was \$53,856 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	1.48%
Expected life	2 years
Expected volatility	149%
Expected dividends	0%

Stock Options

On January 14, 2021, the Company adopted an incentive stock option plan (the “Option Plan”) which allows the Company’s Board of Directors, at its discretion and in accordance with TSX Venture Exchange requirements, to grant options to directors, officers and consultants for up to 10% of the issued and outstanding common shares. The options can be granted for a maximum term of ten years and vest at the discretion of the board of directors.

On July 27, 2021, the Company granted stock options (the “Options”) to certain directors of the Company to acquire up to an aggregate of 800,000 common shares. Each Option is exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2026.

The fair value of the 800,000 stock options was \$71,542 and was estimated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	2.14%
Expected life	5 years
Expected volatility	142%
Expected dividends	0%

CPC Escrow Agreement

Following completion of the IPO, the Company has 15,000,000 common shares issued and outstanding, 7,630,000 of which are subject to escrow restrictions pursuant to the policies of the Exchange.

Related Party Transactions

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

During the year ended February 28, 2022, 800,000 stock options were issued to two directors of the Company recorded fair value of \$71,542. There was no other compensation to key management personnel during the year ended February 28, 2022.

During the period ended February 28, 2021, there were no related party transactions. There was no compensation to key management personnel.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

i) Financial assets

The Company adopted IFRS 9, Financial Instruments, on its incorporation. IFRS 9 replaces International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

At present, the Company classifies all financial assets as held at amortized cost. Cash is classified as a financial asset.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through OCI (FVOCI): Debt instruments that are held for collection of contractual cash flows and for selling the debt instruments, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these debt instruments is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of loss and comprehensive loss in the period in which it arises.

ii) Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred.

The fair value changes to financial liabilities at FVTPL are presented as follows: where the Company optionally designates financial liabilities at FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

At present, the Company classifies all of its financial liabilities as held at amortized cost. These financial liabilities are classified as current liabilities as the payment is due within 12 months.

Financial Risk Management

Capital Management

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 includes share capital in the definition of capital.

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.

Cash Restrictions

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than \$3,000 per month may be used for administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange Policy 2.4.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash and accounts payable and accrued liabilities, approximate fair values due to the relatively short-term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Liquidity Risk

As at February 28, 2022, the Company had accounts payable and accrued liabilities of \$10,460 (February 28, 2021 - \$6,485) due within 12 months and had cash of \$931,817 (February 28, 2021 - \$372,218) to meet its current obligations. As a result the Company has minimal liquidity risk.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with a major financial institution. The Company believes it has no significant credit risk.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. There have been no significant judgments made by management in the application of IFRS that have a significant effect on these financial statements.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Outstanding Share Data

The Company's authorized share capital is:

- i. Unlimited Class A Common Shares without par value; and
- ii. Unlimited Class B Preferred Shares without par value

As at February 28, 2022, there were 15,000,000 (February 28, 2021 – 7,450,000) issued common shares, 800,000 (February 28, 2021 – Nil) stock options outstanding, which are exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2026, and 755,000 (February 28, 2021 – Nil) warrants outstanding, which are exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2023.

As at the date of this report, there were 15,000,000 (February 28, 2021 – 7,450,000) issued common shares, 800,000 (February 28, 2021 – Nil) stock options outstanding, which are exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2026, and 755,000 (February 28, 2021 – Nil) warrants outstanding, which are exercisable to acquire one common share at a price of \$0.10 any time prior to July 27, 2023.

Corporate Governance

The Company's Board of Directors substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of 5 individuals, Darren Tindale, Greg Clough, Ashvani Guglani, Jeff Tindale and Joerg Schweizer.

Greg Clough, Ashvani Guglani, Jeff Tindale and Joerg Schweizer are neither executive officers nor employees of the Company and are unrelated in that they are independent of management. The Audit Committee is comprised of 3 directors, Darren Tindale, Greg Clough and Jeff Tindale. Mr. Greg Clough and Jeff Tindale are independent of management.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively “forward-looking statements”) within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed.

Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.