**Celestial Acquisition Corp.**

**Management Discussion and Analysis**

**For the Three and Six Months Ended March 31, 2023**

The following management's discussion and analysis ("**MD&A**") of the operations, results and financial position of Celestial Acquisition Corp. (the "**Corporation**") for the three and six months ended March 31, 2023 and should be read in conjunction with the Corporation's unaudited condensed interim financial statements for the three and six months ended March 31, 2023, and the audited financial statements for the period from the date of incorporation (June 10, 2022) to September 30, 2022. All figures contained in this MD&A are presented in Canadian dollars.

The effective date of this MD&A is May 29, 2023.

For further information on the Corporation, reference should be made to the Corporation's public filings on SEDAR which are available at www.sedar.com.

## Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation'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 Corporation 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 in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors. The Corporation does not intend, and does not assume any obligation, to update any factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless otherwise required by applicable law.

## Corporation Overview

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on June 10, 2022 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). The head and registered office of the Corporation is located at 181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9. The common shares in the capital of the Corporation (the "**Common Shares**") commenced trading on the Exchange under the trading symbol "CES.P" on December 22, 2022.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as defined under the policies of the Exchange) (the "**QT**"). The Corporation has not commenced commercial operations and has no assets other than cash. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholder approval.

On December 22, 2022, the Corporation completed its initial public offering (the "**IPO**") of 5,000,000 Common Shares at a purchase price of $0.10 per share for aggregate gross proceeds of $500,000. Haywood Securities Inc. (the "**Agent**") acted as agent in connection with the IPO. For its services, the Agent received an administrative fee, a cash commission of $50,000 as well as options (the "**Agent's Options**") to purchase up to 500,000 Common Shares at an exercise price of $0.10 per Common Share until the earlier of December 22, 2027 and the date that is 12 months from the completion of the QT. The value attributed to the 500,000 Agent's Options was $40,000.

The proceeds raised from the issuance of share capital, including the proceeds from the IPO, may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to $3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

The directors of the Corporation have approved a stock option plan (the "**Plan**") for the directors, officers, employees and consultants of the Corporation. The outstanding stock options ("**Options**") granted under the Plan are exercisable for a period of up to 10 years from the date of grant. The exercise price of the Options shall be determined by the board of directors at the time of grant. The aggregate number of Common Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 10% of the issued and outstanding Common Shares. The number of Common Shares reserved for issuance to: (a) any individual director or officer will not exceed 5% of the issued and outstanding Common Shares, and (b) all technical consultants will not exceed 2% of the issued and outstanding Common Shares. At the closing of the IPO, the Corporation granted to its directors, officers and consultants an aggregate of 445,000 Options at an exercise price of $0.10 per share, vesting immediately, exercisable for a period of 5 years from the date of grant.

## Selected Financial Information

*Summary of Quarterly Results*

| | For the three months ended March 31, 2023 | For the three months ended December 31, 2022 | For the period from the date of incorporation (June 10, 2022) to September 30, 2022 |
|---|---|---|---|
| Revenue | $nil | $nil | $nil |
| Expenses | $13,130 | $107,734 | $24,121 |
| Net loss and comprehensive loss | ($13,130) | ($107,734) | ($24,121) |
| Net loss per share (basic & diluted) | ($0.00) | ($0.02) | ($0.64) |
| Dividends per share | $nil | $nil | $nil |
| Total cash | $538,793 | $560,802 | $212,500 |
| Total assets | $538,793 | $560,802 | $212,500 |
| Total liabilities | $3,192 | $12,071 | $8,025 |

## Results of Operations

*Three months ended March 31, 2023*

During the three months ended March 31, 2023, the Corporation recorded a net loss of $13,130 as it has no sources of income and had $13,130 in expenses. The net loss for the period can be mainly attributed to professional fees and administrative expenses.

*Six months ended March 31, 2023*

During the six months ended March 31, 2023, the Corporation recorded a net loss of $120,864 as it has no sources of income and incurred $120,864 in expenses. The net loss for the period can be mainly attributed to professional fees and administrative expenses related to the IPO and share-based compensation.

## Additional Disclosures for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred for the six month period ended March 31, 2023:

| | **For the six months ended March 31, 2023** |
|---|---|
| Professional fees | $41,811 |
| Filing fees | $41,930 |
| General and administrative expenses | $1,523 |
| Share-based compensation | $35,600 |

## Liquidity and Capital Resources

As at March 31, 2023, the Corporation had cash of $538,793. The Corporation had current liabilities of $3,192 and working capital of $535,601.

During the six months ended March 31, 2023, negative cash flows of $90,097 were recorded from operating activities. This is primarily due to outflows relating to filing fees and professional fees for the IPO.

Cash flows from financing activities was $416,390, which were the net proceeds raised from the IPO after deducting share issuance costs.

## Outstanding Share Data

As of the date of this MD&A, 9,250,000 Common Shares are issued and outstanding, of which 4,250,000 are held in escrow in accordance with Exchange policies. In addition, there are 870,000 Options and 500,000 Agent’s Options outstanding.

## Related Party Transactions

During the three and six months ended March 31, 2023, the Corporation recognized $nil and $26,800 in share-based compensation related to Options granted to directors and officers.

During the three and six months ended March 31, 2023, the Corporation incurred legal fees of $5,556 and $40,767 for services provided by a law firm whose partner is a director of the Corporation.

**Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

**Capital Management**

The Corporation'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 Corporation includes equity, comprised of share capital, and accumulated deficit, in the definition of capital.

The Corporation'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 Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

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 $3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT by the Corporation.

**Risk Disclosures and Fair Values**

The Corporation's financial instruments carried at amortized cost, consists of accrued liabilities which approximate fair value due to the relatively short-term maturity of the instruments. It is management’s opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Proposed Transactions**

As of March 31, 2023, and up to the date of this MD&A, there were no proposed transactions with the Corporation. The Corporation continues to pursue a Qualifying Transaction with various entities and will provide an update to shareholders when a transaction is negotiated and finalized.

**Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation’s final prospectus dated November 30, 2022 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation’s activities primarily through the issuance of common shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

## Disclosure Controls and Procedures

In connection with National Instrument 52-109 *Certificate of Disclosure in Issuer's Annual and Interim Filings*, the Chief Executive Officer and Chief Financial Officer of the Corporation has filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements for the three and six months ended March 31, 2023 and this accompanying MD&A.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Corporation to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

## Additional Information

For further detail, see the Corporation's unaudited condensed interim financial statements. Additional information about the Corporation can also be found on its SEDAR profile available at www.sedar.com