# ROCKMOUNT CAPITAL CORPORATION

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023 AND THE PERIOD
FROM JUNE 23, 2022 (date of incorporation) to DECEMBER 31, 2022

## (Expressed in Canadian Dollars)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") is intended to provide readers with the information that management ("Management") of Rockmount Capital Corporation ("The Company" or "Rockmount") believes is required to gain an understanding of the financial results of the Company for the year ended December 31, 2023 and the period from June 23, 2022 (date of incorporation) to December 31, 2022, and to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements and forward-looking information (collectively, "Forward-Looking Information" as defined under applicable Canadian securities laws), which are based on current plans and expectations. See under the heading "Special Note Regarding Forward-Looking Information".

The Company's annual audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect for the fiscal period beginning January 1, 2023.

This MD&A should be read in conjunction with the Company's audited financial statements, and related notes, for the year ended December 31, 2023 and the period from June 23, 2022 (date of incorporation) to December 31, 2022. All currency amounts in the accompanying financial statements and this MD&A are in Canadian dollars unless otherwise noted.

This MD&A has considered information available up to and including April 26, 2024.

***Special Note Regarding Forward Looking Information***

Certain statements in this MD&A, other than statements of historical fact, may include Forward-Looking Information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties. These risks and uncertainties may have a material impact on future prospects and may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. Since actual events and results could differ materially, the reader is cautioned not to place undue reliance on any Forward-Looking Information. The Company assumes no obligation to update Forward-Looking Information should circumstances or Management's estimates or opinions change, except as required by law. See "Caution Regarding Forward-Looking Information" and "Risk Factors".

## MANAGEMENT AND BOARD OF DIRECTOR RESPONSIBILITIES

Management (specifically the Company's CEO and CFO) is responsible for the reliability and timeliness of information disclosed in this MD&A. In this regard, Management has implemented systems, controls and processes ("Systems") to ensure that all information required for this MD&A is collected and communicated on an accurate and timely basis. As a small company, the current Systems consist of first-hand involvement of the CEO and CFO in all material transactions of the Company. In Management's view, the Company's Systems are sufficient for the Company to report reliable and timely information.

The Company's Audit Committee is responsible for reviewing the Company's interim and annual MD&A prior to release. The Company's Board of Directors is responsible for approving the Company's annual and interim MD&A prior to release.

## DESCRIPTION OF THE BUSINESS

Rockmount was incorporated on June 23, 2022 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). The Company is classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange").

The principal business of the Company is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any associated transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

On September 18, 2023, the Company filed a prospectus (the "Prospectus") with the securities regulatory authorities in the provinces of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan, and pursuant to an Agency Agreement between the Company and Canaccord Genuity Corp. (the "Agent"), to offer 3,500,000 Common Shares at a price of $0.10 per Common Share for total gross proceeds to the Company (before transaction costs) of $350,000.

On December 14, 2023, the Company's Common Shares began trading under the symbol "RSC.P".

The head office and the registered office of the Company is located at Suite 305, 999 – 8 Street SW, Calgary, Alberta, T2R 1J5.

Proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that up to $3,000 per month may be used to cover prescribed costs of issuing common shares or administrative and general expenses of the Company. These restrictions apply until the completion of a Qualifying Transaction by the Company.

## RISKS AND UNCERTAINTIES

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is no assurance that the Company will identify a business or asset that warrants 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 shares from trading.

## SELECTED FINANCIAL INFORMATION

The Company was incorporated on June 23, 2022 and became a "Reporting Issuer" in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba and Ontario (the "Reporting Jurisdictions") pursuant to applicable securities legislation on September 19, 2023, the date of the final receipt for the Prospectus as issued by the regulators in the Reporting Jurisdictions.

For the year ended December 31, 2023 and the period from June 23, 2022 (date of incorporation) to December 31, 2022, the Company reported no discontinued operations and declared no cash dividends.

(Expressed in Canadian dollars)

**SUMMARY OF QUARTERLY RESULTS**

| | **Three Months Ended December 31, 2023 ($)** | **Three Months Ended September 30, 2023 ($)** | **Three Months Ended June 30, 2023 ($)** | **Three Months Ended March 31, 2023 ($)** |
|---|---|---|---|---|
| Total assets | **317,047** | 64,521 | 139,639 | 155,000 |
| Total liabilities | **13,582** | 374 | 40,000 | - |
| Net working capital | **303,465** | 64,147 | 99,639 | 155,000 |
| Revenue | **-** | - | - | - |
| Net Profit (Loss) | **25,259** | (35,491) | (68,689) | - |
| Basic and diluted profit (loss) per share | **0.04** | - | - | - |
| Weighted average shares outstanding | **684,783** | - | - | - |

| | **Three Months Ended December 31, 2022 ($)** | **Three Months Ended September 30, 2022 ($)** |
|---|---|---|
| Total assets | 150,000 | - |
| Total liabilities | - | - |
| Net working capital | 150,000 | - |
| Revenue | - | - |
| Net Loss | - | - |
| Basic and diluted loss per share | - | - |
| Weighted average shares outstanding | - | - |

**RESULTS OF OPERATIONS**

During the three months ended December 31, 2023 the Company incurred a profit of $25,259 which relates primarily to the reversal of legal fees in the amount of $71,973 (recorded as share issuance costs) offset by accounting services ($3,350), accrued audit fees ($9,470), share-based payments ($18,801) and other expenses ($15,093).

During the year ended December 31, 2023, the company incurred share-based payments ($32,128) and other expenses required to complete the Company's IPO on December 14, 2023. There were no expenses in 2022.

**OUTSTANDING SHARE DATA**

***Common shares***

As at December 31, 2023, the Company had 6,600,000 common shares outstanding, of which 3,100,000 shares were issued to the founders of the Company at a price of $0.05 per share and 3,500,000 shares were issued in conjunction with the IPO at $0.10 per share.

All of the 3,100,000 founder common shares issued are held in escrow. 25% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the initial release.

(Expressed in Canadian dollars)

***Share capital***

*Authorized:*
Unlimited number of common shares and preferred shares which are issuable in series.

*Issued*:

| Common Shares | **Number of Shares** | **$** |
|---|---|---|
| Issued at incorporation | - | - |
| Issued at $0.05 per share | **3,000,000** | **150,000** |
| As at December 31, 2022 | **3,000,000** | **150,000** |
| Issued at $0.05 per share | **100,000** | **5,000** |
| Issued at $0.10 per share | **3,500,000** | **350,000** |
| Share issuance costs | - | **(184,927)** |
| As at December 31, 2023 | **6,600,000** | **320,073** |

On December 14, 2023, the Company completed its initial public offering of 3,500,000 common shares in the capital of the Company (the "Common Shares") at the price of $0.10 per Common Share for gross proceeds of $350,000 (the "Offering" or the "IPO") and the TSX Venture Exchange (the "Exchange") issued a bulletin approving the listing of the Common Shares.

Canaccord Genuity Corp. (the "Agent") acted as agent under the Offering. For its services, the Agent received a cash commission equal to $35,000 (10% of the total gross proceeds of the IPO), a corporate finance fee of $15,000 and additional consideration consisting of agent's share purchase options in an amount equal to 10% of the Common Shares issued pursuant to the Offering registered in the name of the Agent or as the Agent may otherwise direct (the "Agent's Options"). Each Agent's Option will entitle the Agent to acquire one Common Share at an exercise price of $0.10 per Common Share until December 14, 2029. In addition, the Company paid the agent legal and administration expenses of $23,361.

Concurrent with the closing of the Offering, the Company granted options to acquire an aggregate of 218,000 Common Shares at an exercise price of $0.10 per Common Share to the directors and officers of the Company, which expire five years from the date of grant.

Share issuance costs for the year ended December 31, 2023 were $184,927. Of the $184,927 in share issuance costs, $30,185 in fair value was recorded in relation to 350,000 non-transferable options issued to the Agent.

All of the 3,100,000 common shares issued at $0.05, and 262,500 of the shares issued at $0.10, are held in escrow until completion of a Qualifying Transaction. 25% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the initial release. The 3,100,000 common shares issued at $0.05, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation. As at December 31, 2023, there are 3,362,500 common shares held in escrow.

(Expressed in Canadian dollars)

***Stock options***

A summary of the Company's stock option activity is as follows:

| | Number of Options | Weighted Average Exercise price |
|---|---|---|
| Balance, June 23, 2022 | - | - |
| Options issued at $0.05 | 310,000 | $0.05 |
| Options issued at $0.10 | 218,000 | $0.10 |
| Balance of options exercisable, December 31, 2023 | **528,000** | **$0.07** |

The fair value of the $0.05 options granted was determined to be $13,327 using the Black-Scholes option pricing model under the following assumptions: Risk-free interest rate 2.87%, expected life – 5 years; expected volatility 129% and expected dividends – nil. The fair value of the $0.10 options granted was determined to be $18,801 using the Black-Scholes option pricing model under the following assumptions: Risk-free interest rate 3.24%, expected life – 5 years; expected volatility 129% and expected dividends – nil.

***Agent options***

On December 14, 2023, pursuant to the closing of the IPO, the Company granted 350,000 non-transferrable options to the Agent. The Agents' options, which vested immediately, may be exercised at a price of $0.10 per common share until December 14, 2028. The Company recorded the fair value of $30,185 in share issuance costs. The fair value was estimated at the issuance date based on the Black- Scholes option pricing model, using the following weighted average assumptions: Risk-free interest rate 3.24%, expected life - 5 years; forfeiture rate 0%, expected volatility 129% and expected dividends - Nil.

***Escrowed securities***

All of the 3,100,000 common shares issued at $0.05, and 262,500 of the shares issued at $0.10, are held in escrow until completion of a Qualifying Transaction. 25% of the common shares held in escrow will be released on the issuance of the Final Exchange Bulletin and an additional 25% will be released on the dates 6 months, 12 months and 18 months following the initial release. The 3,100,000 common shares issued at $0.05, which are considered contingently issuable until the Company completes a Qualifying Transaction, are not considered to be outstanding for the purpose of the loss per share calculation. As at December 31, 2023, there are 3,362,000 common shares held in escrow.

In addition, all of the Corporation's 528,000 Share Options are held in escrow on the same terms as the common shares.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company has cash of $317,047 to satisfy obligations of $13,582 as they come due, and as such, is not exposed to significant liquidity risk.

## OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this report, the Company had no off-balance sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

Key management personnel consist of officers and directors of the Company. The following compensation was paid to key management personnel during the current period in addition to stock options issued.

During the year ended December 31, 2023, the Company incurred accounting services in the amount of $7,350 from a company controlled by an officer. As at December 31, 2023, $Nil is included in accounts payable and accruals related to these services.

Transactions with related parties are incurred in the normal course of business and initially measured at fair value.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed to various risks in relation to financial instruments. These risks can include credit risk, interest rate risk, custody risk, currency risk, and liquidity risk. The Company's risk management function is performed by Management, with input from the Board of Directors. The Company seeks to minimize the effects of the identified risks by focusing on actively securing short to medium-term cash flows and minimizing exposures to capital markets. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

***Fair value of financial instruments***
The estimated fair value of the Company's financial instruments approximates the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the near term to maturity of these instruments.

***Credit risk***
Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulty and be unable to fulfill their obligations. The Company is currently in a pre-production phase and has no active accounts receivable or revenue from sales of product. The Company intends to manage its credit risk through a credit assessment process and through extensive credit monitoring and collections processes. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date and presented in the statement of financial position.

***Interest rate risk***
The Company does not have any bank indebtedness or long-term debt financing available to it as at December 31, 2023. As such, the Company does not have significant exposure to interest rate risk from variable interest rates.

***Custody risk***
Custody risk is the risk of loss of cash and cash equivalents held in custody caused by the insolvency or negligence of the custodian. To mitigate this risk, the Company holds its funds in a lawyer's trust account as custodian.

***Currency risk***
The Company may be subject to foreign currency risk due to some of its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities potentially being denominated in foreign currencies. Therefore, there is a small risk of earnings fluctuations arising from changes in and the degree of volatility of foreign exchange rates arising on foreign monetary assets and liabilities.

As at December 31, 2023, the Company's cash and cash equivalents were all denominated in Canadian currency, and all of the accounts payable and accrued liabilities were denominated in Canadian currency.

***Liquidity risk***
Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they become due. The Company actively monitors its financing obligations, as well as its cash and cash equivalents, to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of the financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and

Judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

***Estimates***
The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Judgments***
The key areas of judgement that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

Financial Instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments' initial and subsequent measurement. This classification is based on management's judgement as to the purpose of the financial instrument and to which category is most applicable.

Stock Options

The Company records stock-based payments based on management's judgement of the expected exercise date of options which is impacted by the timing of completion of the qualifying transaction.

***Key Sources of Estimation Uncertainty***

Due to the limited nature of the Company's operations since incorporation on June 23, 2022, Management has not yet been required to make significant assumptions about the future that could result in a material adjustment to the carrying amounts of assets and liabilities of the Company in the event that actual results differ from assumptions made.

**CAPITAL RISK MANAGEMENT**

The Company's capital currently consists of common shares. The Company defines capital as total equity which was $303,465 at December 31, 2023. It's principal source of cash is from the issuance of common shares. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.