

**CALIFFI CAPITAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended February 28, 2021**  
**(including any Significant Subsequent Events to June 3, 2021)**

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The following discussion and analysis of the results of operations and financial condition of Califfi Capital Corp. (“Califfi”) for the three and twelve months ended February 28, 2021 should be read in conjunction with Califfi’s audited financial statements and related notes for the twelve months ended February 28, 2021. The Califfi financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”).

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and this Management Discussion and Analysis (“MD&A”), is complete and reliable.

The Califfi financial statements, MD&A and all other continuous disclosure documents are filed with Canadian securities regulators and are available for review under the Califfi Capital Corp. profile at [www.sedar.com](http://www.sedar.com).

### **FORWARD-LOOKING STATEMENTS**

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by Califfi’s use of certain terminology, including “will”, “may”, “expects”, “should”, “anticipates” or “intends” or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause Califfi’s actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are statements that are not historical facts and include but are not limited to: estimates and their underlying assumptions; statements regarding plans; objectives and expectations with respect to the effectiveness of Califfi’s business model; future operations; products and services; the impact of regulatory initiatives on Califfi’s operations; the size of and opportunities related to the market for Califfi’s products; general industry and macroeconomic growth rates; expectations related to possible joint or strategic ventures; and statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of Califfi. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the actual results may vary materially from those expected, estimated or projected. Califfi undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Given these uncertainties, the reader of the information included herein is cautioned not to place undue reliance on such forward-looking statements.

### **DESCRIPTION OF BUSINESS**

Califfi was incorporated on November 24, 2016, under the laws of the Province of British Columbia, Canada, as a Capital Pool Company as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. Its principal business is the identification and evaluation of assets, or a business, and once identified or evaluated, to negotiate the acquisition or participation in the business (the “Qualifying Transaction”).

### **OVERALL PERFORMANCE**

As at February 28, 2021, and June 3, 2021, Califfi had no debt and had working capital in excess of its anticipated expenditures for the next twelve months. Such expenditures include costs related to administrative overhead, professional fees, and costs related to its Qualifying Transaction (see below).

On March 23, 2021, the Company closed the Qualifying Transaction pursuant to a definitive Share Purchase Agreement (the “Agreement”) signed on September 22, 2020 (which superseded a Letter of Intent signed on June 16, 2020) to acquire Bonanza Mining Corporation (“Bonanza”), a private British Columbia mineral exploration company which holds certain mineral property interests in British Columbia, see “Completed Transaction” below.

On April 30, 2020, the Company processed a Notice of Civil Claim in the Supreme Court of British Columbia (the “claim”) against Fenix Gold Inc. (“Fenix”), a private mineral exploration company incorporated in Ontario, and its principal shareholder as a result of Fenix’s withdrawal, announced on February 27, 2020, from a former proposed Qualifying Transaction. The claim is for damages, exemplary and punitive damages, and special damages from breach of contract and

for breach of the duty of good faith, plus interest and costs in respect of the termination of a letter of intent entered into between the parties on April 5, 2019.

As a result of the collapsed Fenix transaction the Company was unable to complete a Qualifying Transaction within the time period given by the Exchange, and its shares were suspended from trading on the Exchange until March 29, 2021, at which time following closing of the transaction with Bonanza, trading in the Company's shares were restored.

### **SELECTED ANNUAL INFORMATION**

	<b>Year ended February 28, 2021</b>	<b>Year ended February 29, 2020</b>	<b>Year ended February 28, 2019</b>
Revenues	Nil	Nil	Nil
Net Loss	(\$212,908)	(\$139,362)	(\$107,450)
Net Loss per Share - Basic and Diluted	(\$0.04)	(\$0.03)	(\$0.02)
Total Assets	\$832,265	\$624,379	\$713,231
Total Long-term Financial Liabilities	Nil	Nil	Nil
Cash Dividends Declared per Share	Nil	Nil	Nil

### **SUMMARY FINANCIAL INFORMATION**

The following table contains a comparison of the results for the last quarter with those of the previous seven quarters.

<b>Period Ending</b>	<b>Revenues</b>	<b>Net Loss</b>	<b>Net Loss per Share</b>
February 28, 2021	Nil	(\$103,523)	(\$0.02)
November 30, 2020	Nil	(\$41,553)	(\$0.01)
August 31, 2020	Nil	(\$40,023)	(\$0.01)
May 31, 2020	Nil	(\$27,809)	(\$0.01)
February 29, 2020	Nil	(\$29,322)	(\$0.00)
November 30, 2019	Nil	(\$24,709)	(\$0.00)
August 31, 2019	Nil	(\$37,596)	(\$0.01)
May 31, 2019	Nil	(\$47,735)	(\$0.01)

### **OFF-BALANCE SHEET ARRANGEMENTS**

Califfi does not utilize off-balance sheet arrangements.

## **RESULTS OF OPERATIONS AND FOURTH QUARTER**

Califfi has no history of earnings and there is no foreseeable expectation that Califfi will generate earnings or pay dividends. Prior to completing its Qualifying Transaction the Company was not permitted to carry on any other business other than the identification and evaluation of potential Qualifying Transactions. The most significant components of the Company's results of operations for the years ended February 28, 2021 and February 29, 2020, are discussed within the section "Transactions with Related Parties" below.

The Company's operating losses for each period are comprised of administrative expenses including due diligence expenses in evaluating potential Qualifying Transactions including the Qualifying Transaction completed with Bonanza (see below), as well as professional fees including audit, accounting, and legal fees. The loss for the quarter ended February 28, 2021 has increased over other quarters because of the increased costs related to the Qualifying Transaction with Bonanza. Moreover, the losses for certain quarters ending in 2019 have increased over other quarters as a result of the collapsed Qualifying Transaction with Fenix.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Working Capital**

As at February 28, 2021, working capital totalled \$698,279 compared to \$563,837 as at February 29, 2020.

## **COMPLETED TRANSACTION**

As described above, the Company entered into a definitive Share Purchase Agreement on September 22, 2020 to acquire Bonanza. Pursuant to the Agreement, the Company acquired 100% of the issued and outstanding common shares of Bonanza in exchange for the issuance of 17,071,202 common shares of the Company (the "Transaction") to the shareholders of Bonanza. The Transaction constituted the Company's Qualifying Transaction. Concurrent with closing of the Transaction, the Company completed a private placement of non-flow-through common shares and flow-through common shares, comprised of the issuance of 5,000,000 non-flow-through common shares at a price of \$0.13 per share and 7,000,000 flow-through common shares at \$0.15 per share, for aggregate gross proceeds of \$1,700,000.

## **TRANSACTIONS WITH RELATED PARTIES**

During the three months ended February 28, 2021, legal fees of \$53,000 were accrued/incurred with a personal law corporation controlled by Glenn R. Yeadon ("Yeadon"), the Secretary of Califfi, compared to \$5,000 during the three months ended February 29, 2020. During the year ended February 28, 2021, legal fees of \$92,000 were incurred with Yeadon, compared to \$38,000 during the year ended February 29, 2020.

During the three months ended February 28, 2021, accounting fees and disbursements totalling \$11,750 were accrued with Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which Califfi's Chief Financial Officer, Larry Donaldson, is a principal, compared to \$6,500 accrued during the three months ended February 29, 2020. During the year ended February 28, 2021, accounting fees totalling \$31,500 were accrued/incurred with DBM CPA, compared to \$23,000 accrued/incurred during the year ended February 29, 2020.

During the three months ended February 28, 2021, general and administrative expenses (including office reimbursements) totalling \$9,419 were incurred with Alfredo De Lucrezia ("De Lucrezia"), Califfi's Chief Executive Officer, President and Director, compared to \$11,858 during the three months ended February 29, 2020. During the year ended February 28, 2021, general and administrative expenses totalling \$34,680 were incurred with De Lucrezia, compared to \$54,722 during year ended February 29, 2020.

## **INVESTOR RELATIONS**

Prior to completion of its Qualifying Transaction, neither the Company nor any party on behalf of the Company could engage the services of any person to provide investor relation activities or market making services.

## **RISKS AND UNCERTAINTIES**

Califfi's continued operations is dependent upon the continuing support of shareholders to procure additional equity financing. To date, Califfi has financed its operations through equity financing.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to complete its proposed Qualifying Transaction or raise additional capital.

Additional information on risks and uncertainties can be found in the Company's Prospectus, and its Filing Statement (in respect of the transaction with Bonanza) filed at [www.sedar.com](http://www.sedar.com).

## **SHARE CAPITAL INFORMATION**

### **Common Shares**

The authorized share capital of Califfi consists of an unlimited number of common shares without par value. The Company's common shares are listed on the TSX Venture Exchange under the trading symbol CFI.

As at June 3, 2021, there were 46,058,202 common shares issued and outstanding (February 28, 2021 – 15,847,000).

Subsequent to February 28, 2021, the Company issued 17,071,202 common shares on closing of the Transaction to acquire Bonanza, 12,000,000 common shares pursuant to completion of the financings concurrent with closing of the Transaction, and 1,500,000 common shares issued on exercise of Califfi stock options (see below).

As at June 3, 2021 17,225,002 common shares are held in escrow (February 28, 2021 - 10,000,000).

### **Stock Options**

As at June 3, 2021, Califfi had outstanding stock options to acquire 4,350,000 common shares at \$0.15 each for five years. As at February 28, 2021, Califfi had 1,500,000 outstanding stock options to acquire common shares at \$0.10 each which were all exercised for proceeds of \$150,000 in connection with closing of the Transaction with Bonanza.

### **Warrants**

As at June 3, 2021, Califfi had 633,860 finders' warrants outstanding to acquire common shares at \$0.15 per share until March 23, 2023 (February 28, 2021 - no warrants were outstanding).

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and accounts payable to related parties. The carrying value of accounts payable and accrued liabilities and accounts payable to related parties approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are measured using Level 1 inputs.

The Company's financial instruments can be exposed to certain financial risks, including credit risk, liquidity risk and interest rate risk. For details of these risks and related risk management refer to Note 10 to the audited financial statements for the year ended February 28, 2021.

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CORPORATE INFORMATION

Alfredo De Lucrezia, North Vancouver, B.C.	Chief Executive Officer, President and Director
Dayton Marks, Toronto, ON	Independent Director
John L. Pallot, New Westminster, B.C.	Independent Director
Andrew Burgess, Calgary, AB	Independent Director
Glenn R. Yeadon, Vancouver, B.C.	Secretary
Larry B. Donaldson, Port Moody, B.C.	Chief Financial Officer
Christopher Graf, Wardner, B.C.	Vice-President and Director

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