

# **Gulfstream Acquisition 1 Corp.**

## **Management's Discussion and Analysis**

### **For the Three and Nine Months Ended September 30, 2014**

## **1. Introduction**

This Management's Discussion & Analysis ("MD&A") was prepared as of November 27, 2014 to assist readers in understanding Gulfstream Acquisition 1 Corp.'s (the "Corporation", "Gulfstream", "we", or "us") financial performance for the three and nine months ended September 30, 2014. This MD&A should be read together with the unaudited interim financial statements for the three and nine months ended September 30, 2014. Results are reported in Canadian dollars, unless otherwise noted. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Further information about the Company can be obtained from [www.sedar.com](http://www.sedar.com).

## **2. Our Business**

Gulfstream was incorporated on June 8, 2012 under the laws of Ontario. On March 28, 2013, the Company filed a final Initial Public Offering ("IPO") prospectus with the regulatory authorities in British Columbia, Alberta and Ontario. On June 14, 2013, the Company completed its IPO and commenced trading on Tier 2 of the TSX Venture Exchange ("TSX-V"). The Company is classified as a Capital Pool Company, as defined in the TSX-V Policy 2.4, and its sole business is to identify, evaluate and negotiate an acquisition or participation in a business or an asset, subject to receipt of shareholder approval and acceptance by regulatory authorities (the "Qualifying Transaction"). 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 TSX-V, at which time the TSX-V may suspend or delist the Company's shares from trading.

## **3. Initial Public Offering**

On June 14, 2013, the Company completed its IPO of 2,500,000 common shares at a price of \$0.10 per common share (the "Offering"), for gross proceeds of \$250,000. The purpose of this Offering is to provide the Company with a minimum amount of funds with which to identify and evaluate potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition.

Pursuant to an agency agreement between the Company and Canaccord Genuity Corp., (the "Agent") dated March 28, 2012 the Company paid the Agent a \$25,000 cash commission equal to 10% of the gross proceeds of the Offering, an administration fee of \$10,000, and \$12,000 as reimbursement for reasonable expenses relating to the Offering. The Agent also received non-transferable warrants (the "Agent's Warrants") to purchase up to 250,000 Common Shares at a price of \$0.10 per Common Share and which may be exercised on or before June 14, 2015.

On September 19, 2012, the Company agreed to grant to the Company's Directors and Officers 685,000 stock options exercisable at a price of \$0.10 per Common Share for a period of 5 years from the date on which the Common Shares are listed on the Exchange. On March 12, 2013 the

Company reduced the total number of stock options granted to 675,000 to comply with policies of the TSX-V Exchange as a result of the reduced Offering size. These stock options became effective upon closing of the Company's IPO.

#### 4. Results of Operations

As at September 30, 2014, the Company had not completed a Qualifying Transaction.

The Company's expenditures mainly includes costs to maintain its public company status in good standing and expenses to identify and evaluate acquisitions of companies, businesses, assets or properties.

##### Selected Quarterly Information

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenues	Nil	Nil	Nil	Nil
Expenses	6,052	2,315	19,372	181,873
<b>Net profit (loss)</b>	<b>(6,052)</b>	<b>(2,315)</b>	<b>(19,372)</b>	<b>(181,873)</b>
Net profit (loss) per share	(0.00)	(0.03)	(0.00)	(0.04)
Cash Dividends Declared	Nil	Nil	Nil	Nil

The Company's net loss was \$6,052 for the three months ended September 30, 2014, with basic and diluted loss per share of \$0.00. The net loss principally related to listing and regulatory fees of \$3,330, and legal fees of \$2,906.

The Company's net loss was \$2,315 for the three months ended September 30, 2013, with basic and diluted loss per share of \$0.00. The net loss principally related to listing and regulatory fees of \$2,096, and accounting fees of \$219.

The Company's net loss was \$19,372 for the nine months ended September 30, 2014, with basic and diluted loss per share of \$0.00. The net loss principally related to listing and regulatory fees of \$7,471, legal fees of \$5,195, accounting fees of \$5,157, and other expenses of \$1,549.

The Company's net loss was \$181,873 for the nine months ended September 30, 2013, with basic and diluted loss per share of \$0.04. The net loss principally related to share-based underwriting fees of \$68,768, share issuance cost of \$47,000, listing and regulatory fees of \$32,485, legal fees of \$20,079, share-based compensation of \$10,350, and accounting fees of \$3,190.

The Company did not declare a cash dividend for the three months ended September 30, 2013 or September 30, 2014.

	SUMMARY OF ASSETS AND LIABILITIES AS AT	
	September 30, 2014	September 30, 2013
<b>Total Assets</b>	<b>334,477</b>	<b>354,281</b>
<b>Total Long-term Financial Liabilities</b>	<b>Nil</b>	<b>Nil</b>

At September 30, 2014, the Company had total assets of \$334,477. The assets at September 30, 2014 were composed principally of cash of \$324,989. The Company had no long-term financial liabilities.

At September 30, 2013, the Company had total assets of \$354,281. The assets at September 30, 2013 were composed principally of cash of \$352,629. The Company had no long-term financial liabilities.

### Selected Quarterly Information (continued)

	THREE MONTHS ENDED						
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	6,052	5,445	7,875	4,669	2,315	23,898	38,387
<b>Net profit (loss)</b>	<b>(6,052)</b>	<b>(5,445)</b>	<b>(7,875)</b>	<b>(4,669)</b>	<b>(2,315)</b>	<b>(23,898)</b>	<b>(38,387)</b>
Net profit (loss) per share	(0.00)	(0.00)	(0.00)	0.00	(0.00)	(0.01)	(0.01)

During the quarter ended June 30, 2013, the Company recorded share-based compensation of \$8,845 for the unamortized fair value of the grant of 675,000 incentive stock options to directors and officers.

During the quarters ended September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014, and September 30, 2014 the company did not record any share-based compensation.

### Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has no revenue from operations since inception, the following is a breakdown of the material costs incurred during the three months ended September 30, 2014:

	September 30, 2014
Listing and regulatory fees	3,330
Legal fees	2,906
Accounting fees	\$ (184)
	<u>\$ 6,052</u>

## 5. Liquidity and Capital Resources

The Company's ability to meet its obligations and its ability to finance its operations depends on being able to complete the Company's Qualifying Transaction and to obtain additional funding in the future.

Since incorporation, we have funded our operations with the issuance of equity. The following private placements have been completed by the Company:

- On June 8, 2012, in connection with incorporation, the Company issued 1 share of common stock for gross proceeds of \$0.05, to a director of the Company.
- On August 21, 2012, the Company completed a private placement of 3,099,999 shares of common stock for gross proceeds of \$155,000, to directors and companies controlled by directors of the Company.
- On September 1, 2012 the Company completed a private placement of 100,000 shares of common stock for gross proceeds of \$5,000 to a director.
- On November 5, 2012 the Company completed a private placement of 500,000 shares of common stock for gross proceeds of \$25,000.
- On November 13, 2012 the Company completed a private placement of 50,000 shares of common stock for gross proceeds of \$5,000.
- On February 26, 2012, the Company completed a private placement of 500,000 shares of common stock for gross proceeds of \$25,000.

On June 14, 2013, the Company completed its IPO by issuing 2,500,000 common shares at \$0.10 per common share for gross proceeds of \$250,000.

The Company will require additional financing in the future. There can be no assurance that such financing will be available to the Company in the future or, if available, that it will be offered on terms acceptable to the Company.

### **Working Capital**

At September 30, 2014, the Company had working capital of \$322,872 compared with \$346,912 working capital as of September 30, 2013. The Company's current working capital mainly consists of cash of \$324,989. The Company has no long-term debt or bank facilities. The Company has no operating revenue and therefore must utilize its current cash reserves and rely on external financing to generate capital to maintain its capacity to meet working capital requirements.

Although the Company currently has sufficient working capital to meet its ongoing obligations to identify and evaluate possible Qualifying Transactions, there is no assurance that this amount of working capital will be sufficient to permit the completion of a Qualifying Transaction.

### **Cash and Cash Equivalents**

As at September 30, 2014, the Company had cash of \$324,989 compared with \$352,629 of cash as at September 30, 2013. The decrease in cash of \$27,640 is due to the company's ongoing operating and administrative costs to identify and evaluate a possible Qualifying Transaction.

We expect to generate negative cash flow from operating activities in the future until at least our Qualifying Transaction is completed and we commence revenue generation.

Management intends to ensure that the operational and administrative costs are minimal prior to the completion of a Qualifying Transaction to preserve the Company's working capital.

## 6. Disclosure of Outstanding Share Data

The following table summarizes the number of common shares outstanding as at September 30, 2014 and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	September 30, 2014	As of the date of this MD&A
Common shares	6,750,000	6,750,000
Warrants to purchase common shares	250,000	250,000
Options to purchase common shares	675,000	675,000
	<u>7,675,000</u>	<u>7,675,000</u>

## 7. Off-Balance Sheet Arrangement

The Company does not have any off-balance sheet items.

## 8. Related Party Transactions

There was no remuneration provided to the directors or key management during the three months ended September 30, 2014.

On September 19, 2012 the Company agreed to grant 685,000 incentive stock options to its directors and officers, which became effective on the IPO completion date. On March 28, 2014, to comply with the TSX-V and the final offering, the Company modified the total options granted to 675,000. The options are exercisable at \$0.10 per share until June 14, 2018.

As of the date of this MD&A, the Company had not completed a Qualifying Transaction. Accordingly, the officers and directors of the Company have not been paid any compensation since incorporation. The TSX-V prohibits directors and officers from receiving remuneration while the Company is a Capital Pool Company.

## 9. Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities. 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 and in any future periods affected. Significant areas where estimates are applied in these interim financial statements include the determination of accrued liabilities, share-based compensation, and valuation of warrants. By

their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Significant areas where management judgment is applied in these financial statements include the going concern assumption.

## **10. Recent accounting pronouncements**

### **Accounting standards issued but not yet effective**

The new accounting standards have no impact on these financial statements.

IFRS 10 Consolidated Financial Statements – In June 2012, the IASB issued an amendment to provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries fair value through profit or loss, rather than consolidate them. This amendment also set out disclosure requirements for investment entities. This amendment also impacts IFRS 12 – Disclosure of Interests in other entities and IAS 27 – Separate Financial Statements.

IAS 32 Financial Instruments: Presentation - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Earlier application is permitted when applied with corresponding amendment to IFRS 7.

IAS 36 Impairment of Assets – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

IFRIC 21 Levies – IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The following standard will be effective for annual periods not earlier than January 1, 2017:

IFRS 9 Financial Instruments - In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, which introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## **11. Financial Instruments and Risk Management**

The Company recognizes financial assets that are classified as fair value at profit or loss or available for sale, financial liabilities that are classified as fair value at profit or loss and all derivative financial instruments at fair value. Other financial assets, such as loans and receivables and investments that are held to maturity and other financial liabilities are measured at their carrying value. The Company is exposed to potential loss from various risks including credit risk, market risk and liquidity risk.

### **Credit risk**

The Company's only significant financial asset is cash which is on deposit at a high credit-worthy financial institution.

### **Market risk**

The Company is not subject to significant interest rate risk as none of its financial instruments are interest-bearing, except cash in the bank which is nominal.

### **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. The Company expects to satisfy obligations under accounts payable and accrued liabilities. Management intends to continue to finance its activities by raising funds through equity investments.

## **12. Business Risks**

The Company is subject to a number of risks and uncertainties that may significantly impact its financial conditions and future financial performance. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision.

### **No Operating History**

The Company was incorporated on June 8, 2012 and has not commenced commercial operations. The Company has no history of earnings or has not paid any dividends, and it is unlikely to produce earnings or pay dividends in the immediate or foreseeable future. The Company has no material asset other than cash, and has limited funds with which to identify and evaluate potential Qualifying Transactions. There can be no assurance that the Company will be able to identify a suitable Qualifying Transaction. Even if a proposed Qualifying Transaction is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

## **13. Cautionary Note Regarding Forward-Looking Information**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify

forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such 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.



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Trading Symbol – GFL

Exchange - TSX-V

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