# STAGE HOLDCO LTD.

**FORM 51-102F1**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**YEAR ENDED DECEMBER 31, 2019**

The following management discussion and analysis for *Stage Holdco Ltd.* ("the Company") is prepared as of **April 29, 2020** and should be read together with the audited financial statements for the year ended December 31, 2019 and related notes attached thereto (Financial Statements), which were prepared in accordance with the International Financial Reporting Standards ("IFRS").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information related to the Company is available for view on SEDAR under the Company's profile at www.sedar.com.

## Description of Business

The Company was incorporated under the Business Corporations Act (Alberta) on December 24, 2018. The Company has a 10% equity interest in Stage Completions Inc. ("SC"), a private Canadian technology and services company in the oil and gas industry. The ownership in SC resulted as part of the arrangement between Blackbird Energy Inc. and Pipestone Oil Corp. completed on January 4, 2019 to form Pipestone Energy Corp. As part of the arrangement, Blackbird distributed its 10% interest in SC to the Company in exchange for 858,585,667 common shares of the Company that were distributed to the former shareholders of Blackbird. The 10% interest was distributed at a fair value of $6,550,000.

During the year ended December 31, 2019, the Company had an unrealized loss on its investment of $4,900,000 resulting in an estimated fair value of $1,650,000 as at December 31, 2019.

## Overall Performance

As at December 31, 2019, the Company had $2,525 (December 31, 2018 - $Nil) in cash and working capital deficiency was $206,132 (December 31, 2018 – $Nil). The Company incurred a loss and comprehensive loss of $5,106,133 (from incorporation on December 24, 2018 to December 31, 2018 - $Nil) during the year ended December 31, 2019.

## Events subsequent to the reporting period

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 business or results of operations at this time.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

| | Year ended December 31, 2019 | Period from incorporation on December 24, 2018 to December 31, 2018 |
|---|---|---|
| Total assets | $ 1,650,001 | $ 1 |
| Working capital deficiency | (206,132) | - |
| Shareholders' equity | 1,443,868 | 1 |
| Loss and comprehensive loss | (5,106,133) | - |
| Basic and diluted loss per common share | (0.01) | - |

As this is the Company's first full year the only comparison is to the partial previous year. During the period from incorporation on December 24, 2018 to December 31, 2018, the Company issued 1 common share representing an incorporation share. There were no other transactions that occurred during this period.

During the year ended December 31, 2019, the Company issued 858,585,667 common shares pursuant to an Arrangement between Blackbird and Pipestone Oil as described above.

## Results of Operations

***Year ended December 31, 2019:***

During the year ended December 31, 2019, the Company had a loss and comprehensive loss of $5,106,133 (period from incorporation on December 24, 2018 to December 31, 2018 - $Nil). The net comprehensive loss is comprised of the following items:

- Consulting fees of $60,000 (2018 - $Nil) consist of fees paid or accrued to a company controlled by the CEO of the Company.

- Directors fees of $36,000 (2018 - $Nil) consist of fees paid or accrued to an independent director of the Company.

- Office costs of $326 (2018 – $Nil) for bank charges and office related costs.

- Professional fees of $105,000 (2018 - $Nil) consist of $60,000 (2018 – $Nil) in fees paid or accrued to a company controlled by the CFO of the Company for accounting, administration and office related services. The remaining amounts consist of $20,000 (2018 – $Nil) accrued to a consultant for a valuation report, $10,000 (2018 – $Nil) accrued in legal fees and $15,000 (2018 – $Nil) accrued for audit fees.

- Transfer agent fees of $4,807 (2018 – $Nil)

- Unrealized loss on investment of $4,900,000 (2018 – $Nil) based on the independent valuation report as of December 31, 2019.

***The three month period ended December 31, 2019:***

During the three month period ended December 31, 2019, the Company had a net comprehensive loss of $4,977,010. The net comprehensive loss is comprised of the following items:

- Consulting fees of $15,000 (2018 - $Nil) consist of fees paid or accrued to a company controlled by the CEO of the Company.

- Directors fees of $9,000 (2018 - $Nil) consist of fees paid or accrued to an independent director of the Company.

- Office costs of $43 (2018 – $Nil) for bank charges and office related costs.

- Professional fees of $52,500 (2018 - $Nil) consist of $15,000 (2018 – $Nil) in fees paid or accrued to a company controlled by the CFO of the Company for accounting, administration and office related services. The remaining amounts consist of $20,000 (2018 – $Nil) accrued to a consultant for a valuation report, $2,500 (2018 – $Nil) accrued in legal fees and $15,000 (2018 – $Nil) accrued for audit fees.

- Transfer agent fees of $467 (2018 – $Nil)

- Unrealized loss on investment of $4,900,000 (2018 – $Nil) based on the independent valuation report as of December 31, 2019.

## Related Party Transactions

Key management personnel include these persons having the authority and responsibility for planning, directing and controlling activities of the Company as a whole. Key management includes members of the Board, the Chief Executive Officer and the Chief Financial Officer. The Company entered into the following transactions with related parties during the year ended December 31, 2019:

i) Paid or accrued $60,000 (period from incorporation on December 24, 2018 to December 31, 2018 - $Nil) in consulting fees a company controlled by the Chief Executive Officer / director of the Company.

ii) Paid or accrued $36,000 (period from incorporation on December 24, 2018 to December 31, 2018 - $Nil) in directors fees to an independent director of the Company.

iii) Paid or accrued $60,000 (period from incorporation on December 24, 2018 to December 31, 2018 - $Nil) consisting of accounting and administration fees, recorded as professional fees, to a company controlled by the Chief Financial Officer / director of the Company.

Included in due to related parties as of December 31, 2019 is $166,733 (period from incorporation on December 24, 2018 to December 31, 2018 - $Nil) due to directors and a company controlled by a director. The amounts are non-interest bearing and unsecured.

## Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Working capital deficiency | $ (206,132) | $ - |
| Deficit | (5,106,133) | - |

Net cash provided by operating activities for the period was $2,525. This amount consists of a net operating loss of $5,106,133 and changes in non-cash working capital items of: $3,075 as an increase in GST receivable, $4,900,000 as an unrealized loss on investment and $211,733 as an increase in accounts payable and accrued liabilities and due to related parties.

There were no investing activities and financing activities during the current and comparative periods.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

## Financial Instruments

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and contractual cash flow characteristics of the financial asset.

*Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company has classified its cash and investment in securities at FVTPL and its receivables at amortized cost.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

**Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities: This category includes accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

## Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure. The Company monitors the level of risk incurred in its expenditures relative to its capital structure.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at December 31, 2019.

## Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this Management Discussion and Analysis:

| | Number of shares issued or issuable |
|---|---|
| Common shares | 858,585,668 |
| Listed warrants (1) | 175,188,092 |

(1) The Listed warrants, as issued by Pipestone Energy, are listed on the TSX-V and trade under the symbol PIPE.WT. On the exercise of each Warrant, the Company is obligated to issue one common share to the warrant holder and receive proceeds of $0.00375 from Pipestone Energy for each exercised warrant.

## Critical Judgments and 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Note 3 of the audited financial statements for the year ended December 31, 2019.

## Risks and Uncertainties

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Company was only recently incorporated and does not operate any ongoing business. The Company has a minority equity interest in a private company and has no other assets other than cash and receivables. The directors and the officers of the Company will only be devoting a portion of their time to the affairs of the Company. Potential conflicts of interest may result from the ordinary course of business of the Company and of the directors and the officers of the Company.

***COVID-19***

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 business or results of operations at this time.

## Outlook

The Company's current objective is review business opportunities in the technology industry.

## Corporate Governance

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

## Forward-Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. 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", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. 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 Company 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 contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of gold as well as petroleum products;
- the availability of financing for the Company's development of the Project on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**