

# **Atmofizer Technologies Inc.**

## **(formerly Consolidated HCI Holdings Corporation)**

### **MANAGEMENT'S DISCUSSION and ANALYSIS**

#### **For the Years Ended September 30, 2021, and 2020**

**(Expressed in thousands of Canadian dollars, except share and per share amounts)**

#### **OVERVIEW**

Atmofizer Technologies Inc. (formerly Consolidated HCI Holdings Corporation) (the "Company") is an Ontario-based publicly traded company which trades on the CSE under the trading symbol ATMO.

The following management's discussion and analysis ("MD&A") of the financial condition of the Company and its financial performance for the years ended September 30, 2021 and 2020 are the views of management and should be read in conjunction with the consolidated financial statements including the related notes in the September 30, 2021 and 2020 audited consolidated financial statements. Amounts presented in this MD&A are in thousands of Canadian dollars, unless otherwise noted.

On July 14, 2021, the Company entered into a definitive business combination agreement dated (the "Combination Agreement") with Vaxxinator Enterprises Inc. ("Vaxxinator"), a private clean tech company, and 1314092 B.C Ltd., a wholly-owned subsidiary of the Company. Completion of the transactions contemplated in the Combination Agreement will result in the reverse takeover of the Company by Vaxxinator (the "Transaction"). Pursuant to the Combination Agreement, the Company and Vaxxinator completed an arm's length business combination by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia). The Company's shares was consolidated on a 24.691:1 basis (the "Consolidation"). On November 15, 2021, the Company closed its reverse takeover transaction with Vaxxinator. In connection with the Transaction, the Company voluntarily delisted from the TSX Venture Exchange and commenced trading on the Canadian Securities Exchange ("CSE").

The information included in this MD&A, including the 2020 comparative information, has been prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise noted.

#### **GOING CONCERN**

The Company's unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles that are applicable to a going concern. The going concern basis assumes that the Company will continue in operation for the

foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended September 30, 2021, the Company has incurred net loss of \$475 (September 30, 2020 - \$279) and as at September 30, 2020, the Company has an accumulated deficit of \$36,471 (September 30, 2020 - \$35,996) and net deficiency of assets of \$364 (September 30, 2020 - \$106). These circumstances create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption. The Company no longer has any source of revenue and continues to incur general and administrative expenses.

Management and the Board of Directors continue to consider options as to the Company's future. Whether and when the Company can successfully source capital and/or financing and successfully develop a revenue-producing profitable business with positive cash flows is uncertain. Accordingly, material uncertainty exists whether the Company can discharge its obligations, including its accounts payable and accrued liabilities and notes payable, within the next 12 months. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

## **COVID-19**

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the year ended September 30, 2021, the pandemic did not have a material impact on the Company's operations. The Company has taken steps to minimize the potential impact of the pandemic including safety measures with respect to personal protective equipment, the reduction in travel and the implementation of a virtual office including regular video conference meetings. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes

could be material. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

## **RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS**

Management is responsible for the information disclosed in this MD&A, and has in place information systems, procedures and controls to ensure information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the consolidated financial statements as at September 30, 2021 and 2020.

## **FORWARD-LOOKING STATEMENTS**

In various places in the MD&A, there are forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance and other matters affecting the Company. Forward-looking statements include information regarding possible or assumed future results or transactions as well as statements preceded by, followed by, or that include the words such as "believes," "expects," "anticipates," "estimates," "intends" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in any forward-looking statements.

## **REVIEW OF FINANCIAL RESULTS**

Financial data presented herein is expressed in thousands of Canadian dollars and is in accordance with IFRS.

### **Results of operations**

Two-year summary of operating results  
(in thousands of dollars, except per share amounts)

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total revenue	<b>\$-</b>	<b>\$1</b>	<b>\$5</b>
Loss before income taxes	<b>\$(475)</b>	<b>\$(281)</b>	<b>\$(444)</b>
Recovery of income taxes	<b>-</b>	<b>2</b>	<b>118</b>
Net loss for the year	<b>\$(475)</b>	<b>\$(279)</b>	<b>\$(326)</b>
Basic and diluted loss per share	<b>\$(0.570)</b>	<b>\$(0.335)</b>	<b>\$(0.395)</b>

Total revenue decreased in 2021 by \$1 compared to the revenue recorded for the same period in 2020, the result of a decrease in interest income.

### Selected quarterly consolidated financial information (unaudited)

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Net loss	112	42	48	273
Basic and diluted loss per share	0.134	0.050	0.058	0.328
Total Assets	132	180	210	251
Working capital	(364)	(252)	(210)	(162)

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net loss	69	66	81	63
Basic and diluted loss per share	0.083	0.079	0.097	0.076
Total Assets	312	349	408	189
Working capital	(106)	(37)	29	110

### General and Administrative Expenses

	For the year ended September 30, 2021	For the year ended September 30, 2020
Consulting fees	\$ 6	\$ 82
Professional fees	191	95
Interest on note payable	14	10
Other	47	72
	\$ 258	\$ 259

Professional fees for the year ended September 30, 2021 was \$191 (2020 - \$95), which increased by \$95, compared to the same period in 2020 as a result of increased legal fees related to the transaction and extension of notes payable.

Consulting fees for the year ended September 30, 2021 was \$6 (2020 - \$82), which decreased by \$76, compared to the same period in 2020 as a result of the management change and reduction in overhead over the period.

### Stock-based compensation

Stock-based compensation was \$217 (2020 - \$Nil), as a result of stock options being granted to officers and directors of the Company during the year ended September 30, 2021.

## FINANCIAL CONDITION

(in thousands of dollars)

	September 30, 2021	September 30, 2020
Cash	\$ 104	\$ 277
Income taxes recoverable	2	2
Other assets	26	33
Total assets	\$ 132	\$ 312

## OUTSTANDING SHARE DATA

The following table presents the fully diluted shares outstanding as at January 28, 2022:

Common shares	74,130,056
Options	1,883,333
Warrants	2,484,126
Restricted share units	3,135,000
<b>Fully diluted shares outstanding</b>	<b>81,632,515</b>

## NOTES PAYABLE

On January 14, 2020, the Company completed the private placement of unsecured promissory notes for gross proceeds of \$345. The purpose of this borrowing was to provide the Company with sufficient working capital for general corporate purposes while management and the Board of Directors decide on the future direction of the Company. The promissory notes bear interest at the annual rate of 4% and are repayable without penalty at any time prior to maturity. The principal amount and all accrued and unpaid interest were due on January 14, 2021. On January 13, 2021, the terms of the notes were amended to extend the maturity date to April 14, 2021. On April 14, 2021, the terms of the notes were amended to extend the maturity date to July 14, 2021. As at January 27, 2022 the notes were in default and remain unpaid. All other terms and conditions remain in full force and effect. During the year ended September 30, 2021, the Company incurred interest expense of \$14 (September 30, 2020: \$10) related to these notes.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows

(in thousands of dollars)

	<b>Year ended</b>	
	<b>September 30</b>	September 30,
	<b>2021</b>	2020
Cash from (used in):		
Operating activities	<b>\$(173)</b>	\$(129)
Financing activities	<b>-</b>	345
Increase (decrease) in cash	<b>(173)</b>	216
Cash, beginning of the period	<b>277</b>	61
Cash, end of the period	<b>\$104</b>	\$277

The decrease of cash was due to the receipt of proceeds from private placement of unsecured promissory notes of \$345 in January 2020, whereas no financing was received for the year ended September 30, 2021. At September 30, 2021, the Company is facing material liquidity risk as explained above under GOING CONCERN.

## TRANSACTIONS WITH RELATED PARTIES

Related party transactions consist of management compensation, share-based compensation, and legal fees. The Company has identified its directors and officers as its key management personnel. Other related parties to the Company include companies in which key management has control or significant influence.

Transactions with related parties during the period were as follows:

	<b>Year ended</b>	
	<b>September 30</b>	September 30
	<b>2021</b>	2020
Legal fees	\$ 30	\$ 6
Management fee expense (to a former director)	6	93
Rent expense (to a former director)	-	4
Stock based compensation (note 8)	217	-

As at September 30, 2021, the Company's accounts payable balance consists of \$40 (September 30, 2020 - \$6) owing to a law firm that provides legal services to the Company in which a director of the Company is a partner.

During the year ended September 30, 2021, the Company granted options to its directors and officers entitling the purchase of 83,333 common shares at a price of \$3.15 per share. The options are for a five-year term, expiring on October 22, 2025, and vest on the date of grant. The Company recognized \$217 (2020 - \$NIL) of stock-based payments that were recorded as contributed surplus.

## **RISK MANAGEMENT**

### **Liquidity Risk**

Liquidity risk is managed by maintaining cash in excess of projected needs. At September 30, 2021, the Company is facing material liquidity risk as explained above under GOING CONCERN.

The Company's contractual obligations are its accounts payable and accrued liabilities and notes payable. Uncertainty exists whether the Company can discharge these obligations within the next twelve months as explained above under GOING CONCERN.

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

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

### **SUBSEQUENT EVENT**

On November 15, 2021, the Company completed its reverse takeover transaction (the "RTO") with Vaxxinator.

The RTO was effected by way of a "three-cornered" amalgamation involving the Company, Vaxxinator, and a wholly-owned subsidiary of the Company under the Business Corporations Act (British Columbia) (the "BCBCA" and the "Amalgamation"). Immediately prior to the Amalgamation, the Company consolidated its Class B shares on 24.691:1 basis (the "Consolidation"), changed its name from "Consolidated HCI Holdings Corporation" to "Atmofizer Technologies Inc." and was continued from a corporation existing under the Canada Business Corporations Act to a company existing under the BCBCA (the "Continuance"). Concurrent with the Continuance, the Company re-designated its class B shares to Common Shares ("Common Shares"). All references to share and per share amounts have been retroactively restated to reflect this share consolidation.

As a result of the Amalgamation, (i) all issued and outstanding common shares of Vaxxinator ("Vaxxinator Shares") were exchanged for common shares on a 1:1 basis; and (ii) all outstanding warrants and options to purchase Vaxxinator Shares were exchanged on an equivalent basis for warrants and options to purchase Common Shares.

On January 25, 2022 the Company amended its two year agreement with Steinbrenner Racing LLC to include additional sponsorship of races, sales promotion services and technology development of Atmofizer technology and automotive clean technology and issued 4,500,000 Common Shares as consideration.

On January 27, 2022 the Company entered into a debt settlement agreement for US\$396,730 for services performed under a business development and consulting agreement previously entered on December 20, 2021. The Company issued 2,000,000 common shares to the supplier at a deemed price of C\$0.26 per Common Share for full and final settlement of the debt.

## **OUTLOOK**

Management and the Board of Directors are considering options as to the Company's future as the Company had discontinued and divested substantially all of its operations, and had ceased to be actively engaged in any ongoing business in 2017. Uncertainty exists as to the Company's ability to continue as a going concern as explained above under GOING CONCERN.

Additional information relating to the Company has been filed on SEDAR and can be found at [www.sedar.com](http://www.sedar.com)