Aquarius Surgical Technologies Inc.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR YEAR ENDED MARCH 31, 2021

1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The discussion and analysis of Aquarius Surgical Technologies Inc. (the "Corporation") may contain forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in forward-looking statements. While this MD&A reflects the period ending March 31, 2021, it also addresses key events that have occurred up to and including the date of this Report. Readers are specifically referred to Note 19 – Subsequent Events, in the Note to the Consolidated Financial Statements to March 31, 2021

Forward-looking statements may include sales, earnings, and profitability comments. These statements may contain words such as "anticipated", "expected", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved. Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Corporation's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements.

Readers are also referred to the Corporation's documents filed on SEDAR at www.sedar.com for additional information.

2. INTRODUCTION

The following is a discussion and analysis of the Corporation's results of operations and financial condition for the year ended March 31, 2021 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2021 and the related notes thereto (the "Consolidated Financial Statements"). The amounts included in the following discussions are expressed in Canadian dollars (unless otherwise indicated).

3. GOING CONCERN

The Consolidated Financial Statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation incurred operating losses in the year ended March 31, 2020 and in the current year. These circumstances cast doubt on the ability of the Corporation to continue as a going concern which is dependent on the support of its creditors, the ability to obtain additional financing, and ultimately, the attainment of profitable operations. The Corporation's lenders, who are significant shareholders, have indicated that their support will continue over the forthcoming year. Significant working capital was raised during the prior fiscal years which was been further supplemented during the current year. As indicated in Note 2 to the Consolidated Financial Statements, those Statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern and no adjustment has been made in those financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material effect on the Corporation's balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared by management using the accounting policies and methods as outlined in Note 3 to the Consolidated Financial Statements for the year ended March 31, 2021. The Consolidated Financial Statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality and are in conformity with International Financial Reporting Standards ("IFRS").

5. BUSINESS OVERVIEW

As of March 20, 2017, the Corporation acquired all the outstanding shares of Surgical Lasers Inc. ("SLI"). SLI, is an exclusive provider of innovative, minimally invasive medical laser systems and consumables for multiple medical disciplines, principally in the field of urology, and specifically treatment of benign prostatic hyperplasia ("BPH"). Solutions comprise multiple laser systems, consumables, clinical education, service, support, and maintenance and focus on increasing the availability of services for patients, enhancing the quality of patient care, improving operationally efficiencies, and reducing total operational costs.

SLI's portable BPH laser remains the only device in its class boasting the highest output energy of any portable device and supporting all available fiber delivery systems (contact and lateral-fire for photo-selective vaporization of the prostate and end-fire for enucleation). Based on its portability, performance and its proven clinical efficacy and safety it remains the only office-based alternative, facilitating safe, efficient and effective BPH surgery in a clear operative field under both local and general anaesthetic alternatives.

The first shipment of the new Uni-core fiber (the consumable for the portable BPH laser), which offers greater performance and durability, has been successfully implemented in reference sites across North America. All future production of this fiber will incorporate the Uni-core design.

The launch of the Corporation's compact holmium laser for lithotripsy, including treatment of upper ureter and kidney stones, represents an evolution in the field of laser lithotripsy treatment, as it is the only portable laser in the world with pulse widths capable of supporting long fragmentation as well as the ability to deliver higher energy down the smaller diameter 200 micron fibers. Long fragmentation significantly reduces treatment time as it fragments the stones into pieces so small, it eliminates the requirement for basket retrieval which is typically required with other methods. Longer pulse widths also enhance control by minimizing inadvertent migration of the stone during the procedure. The ability to deliver higher energy down smaller diameter fibers, which are often required for access especially in the upper ureter, means performance is not compromised for access.

As the opening and closing of facilities continues to fluctuate the Corporation has remained active in responding to the interest in the Corporation's COVID-19 support programs. ASTI has recently completed three successful evaluations for both the diode laser for office based/outpatient BPH procedures, and the holmium laser for kidney and bladder stones. These successful evaluations represent potential for expansion in geographic markets where the Corporation already has a presence, as well as a presence for the Corporation in new geographic territories, with two new sites in Chicago and one in Oregon. The Corporation is now in the negotiation phase of these new revenue opportunities.

The Corporation is continuing in revenue growth efforts as additional hospitals slowly begin to open and schedule elective procedure, the Corporation has scheduled multiple other evaluations in the upcoming months including facilities in Alabama, and North Carolina. The successful implementation of laser systems through the Corporation's COVID-19 support programs will represent a profitable recurring revenue stream for consumables for many years to come.

The Government of Canada has provided various programs designed to aid small business suffering from the effects of the Covid-19 pandemic. The Corporation has been able to take advantage of the following programs:

Canadian Emergency Business Account ("CEBA") – This program provides interest free loans of up to $60,000 to eligible businesses. Repayment of the loan prior to December 31, 2022 will entitle the borrower to a 33 1/3% forgiveness of the amount borrowed up to a maximum of $20,000. Any loans outstanding at December 31, 2022 will be automatically renewed for further 3 years at an interest rate of 5%. The Corporation has borrowed $60,000 under this program and has recorded a forgiveness of debt in the amount of $20,000.

The Canada Emergency Wage Subsidy ("CEWS") is a separate program that provides a 75% wage subsidy to eligible employers. If eligible, the claimant may be able to receive both the **Temporary Wage Subsidy ("TWS")** and the CEWS, however the CEWS must be reduced by any amount received under the TWS. The Corporation did not qualify for the TWS and received a benefit of $27,917 under the CEWS program.

6. <u>OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE YEAR ENDING MARCH 31, 2021</u>

Revenues from operations for the year ended March 31, 2021 were $583,444 compared to $958,743 for the prior year. Cost of goods sold in the year ended March 31, 2021 were $366,849 compared to $580,492 in the prior year.

General and administrative expenses in the year ended March 31, 2021 were $1,554,713 compared to $1,562,035 in the prior year.

Bank charges and interest in the year ended March 31, 2021 were $371,456 compared to $310,517 in the prior year. The charges in the current year include $181,623 (2020 - $262,040) of imputed interest on the related party loan and $39,812 (2020 $ nil) imputed interest on the long term debt.

Amortization expense in the year ended March 31, 2021 was $135,609 compared to $130,870 in the prior year.

Interest income in the year ended March 31, 2021 was $14,768 compared to $14,522 in the prior year

The Corporation also recorded a $20,000 Gain on forgiveness of the CEBA loan in the current year. There was no such amount in the prior year.

The net loss and comprehensive loss for the year ended March 31, 2021 was $1,810,414 compared to $1,610,649 in the prior year.

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7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

Selected items from the Consolidated Balance Sheets as at March 31, 2021, March 31, 2020, and March 31, 2019:

Balance Sheet Item	31-Mar-21 $'s	31-Mar-20 $'s	31-Mar-19 $'s
Cash and deposits	145,973	105,186	125,440
Accounts receivable	204,193	146,244	55,010
Inventory	21,097	105,348	195,713
Prepaid expenses and deposits	18,353	42,928	57,805
Due from related party	251,896	238,049	224,907
Equipment	304,616	1,021,160	1,065,040
Accounts payable	414,693	323,291	162,541
Current portion long term debt	430,981	-	-
Notes Payable	150,000	-	250,000
Long term debt	229,346	154,495	-
Related party advances	2,115,768	1,870,284	1,765,270
Series "A" special shares	-	1	1
Shareholders Equity (Deficiency)	(2,394,660)	(689,155)	(453,896)

8. CASH AND DEPOSITS

Cash and deposits on hand increased to $145,973 at the end of the current period from $105,186 in the prior year. The current year balance includes deposits in the amount of $100,000 (2020 - $ nil)

9. ACCOUNTS RECEIVABLE

Accounts receivable increased to $204,193 at the end of the current period compared to $146,244 in the prior year. Included in accounts receivable is HST receivable of $19,211 (2020 - $58,716).

10. INVENTORIES

Inventories at the end of the current period were $21,097 compared to $105,348 in the prior year (see Note 19 - Subsequent Events to the Consolidated Financial Statements).

11. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits at the end of the current period were $18,353 compared to $42,928 in the prior year.

12. DUE FROM RELATED PARTY

Due from related party at the end of the current year was $251,896 (see Notes 6(A) to the Consolidated Financial Statements); (March 31, 2020 - $238,049).

13. EQUIPMENT

Equipment at the end of the current year was $304,616 compared to $1,021,160 in the prior year. In light of the events which occurred in the past year management of the Corporation undertook a review of all laser equipment and determined that the equipment had not been serviced or properly maintained. As a result, an impairment charge of $680,935 has been recorded in the current year. The equipment will be inspected and calibrated by licensed technicians and used for 0$ Capex placements where suitable. (see Note 19 - Subsequent Events to the Consolidated Financial Statements).

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable increased from $323,291 in the prior year to $414,693 at the end of the current year.

15. CURRENT PORTION LONG TERM DEBT

The current portion of long term debt at the end of the current year was $430,981 compared to $ nil in the prior year.

16. NOTE PAYABLE

Note payable at the end of the current period was $150,000 compared to $ nil in the prior year.

17. LONG TERM DEBT

Long term debt at the end of the current period was $229,346 compared to $154,495 in the prior year. Please refer to Note 10 to the Consolidated Financial Statements for pertinent information concerning the long term debt.

18. RELATED PARTY TRANSACTIONS

The amount due to related party increased to $2,115,768 at March 31, 2021 compared to $1,870,284 at the end of the prior year. Please refer to Note 6(A) and (B) to the Consolidated Financial Statements for pertinent information pertaining to the Related party transactions.

19. SELECTED QUARTERLY FINANCIAL DATA

The table below presents selected unaudited financial data for each of the eight quarters ending March 31, 2021:

	31-Mar 2021 $'s	31-Dec 2020 $'s	30-Sep 2020 $'s	30-Jun 2020 $'s	31-Mar 2020 $'s	31-Dec 2019 $'s	30-Sep 2019 $'s	30-Jun 2019 $'s
OPERATIONS								
Sales								
Equipment	194,838	-	-	-	60,308	79,744	100,285	225,728
Fibers	121,843	66,000	75,371	84,233	176,775	105,525	111,043	63,191
Equipment rental	-	8,760	-	-	-	-	4,043	13,060
Other	9,555	10,214	4,105	8,525	14,221	3,945	(366)	1,241
	326,236	84,974	79,476	92,758	251,304	189,214	215,005	303,220
Cost of sales	227,916	41,548	37,960	59,425	180,883	123,644	118,681	157,284
Gross Margin	98,320	43,426	41,516	33,333	70,421	65,570	96,324	145,936
Expenses and other items								
General and administrative	789,751	218,411	283,148	263,402	427,720	391,688	364,062	378,565
Amortization	33,902	33,902	32,293	35,512	31,662	32,400	33,547	33,261
Interest and bank charges	93,417	93,305	90,716	94,017	73,580	78,115	80,267	78,555
Gain on forgiveness CEBA loan	-	(20,000)	-	-	-	-	-	-
Interest income	(3,617)	(4,058)	(3,624)	(3,468)	(3,373)	(3,759)	(4,009)	(3,381)
	913,453	321,560	402,533	389,463	529,589	498,444	473,867	487,000
Net Loss	(815,133)	(278,134)	(361,017)	(356,130)	(459,168)	(432,874)	(377,543)	(341,064)
EPS	(0.04)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)

Discussion of Selected Financial Data

Operations

In the three months ended March 31, 2021 equipment sales were $194,838 (2020 - $60,308); fiber sales were $121,843 (2020 - $176,775); equipment rentals were $ nil (2020 - $ nil) and other sales and services were $9,555 (2020 - $14,221). Cost of sales for the three months ended March 31, 2021 were $227,916 (2020 - $180,883). The gross margin for the three months ended March 31, 2021 was $98,320 (2020 - $70,421).

For the three months ended March 31, 2021, General and administrative expenses were $789,750 including the impairment charge of $585,935 discussed in item 13 above (2020 - $427,720). Amortization was $33,902 (2020 - $31,662); Bank charges and interest were $93,417 (2020 - $73,580) and Interest income for the three months ended March 31, 2021 was $3,617 (2020 - $3,373).

The net loss for the three months ended March 31, 2021 was $815,133 ($0.04 per share) compared to loss of $459,168 in the same period in the prior year ($0.02 per share). For the three months ended March 31, 2021 the weighted-average number of shares outstanding was 23,004,172 (March 31, 2020 – 22,826,699).

20. MANAGEMENT OF CAPITAL

The Corporation defines capital that it manages as the aggregate of its loans payable, contingent consideration, share capital, contributed surplus and deficit. Its objectives when managing capital are to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

	$	$
Convertible debenture	**189,346**	154,495
Long term debt	**40,000**	-
Amount due to related party	**2,115,768**	1,870,284
Series "A" Special Shares	**-**	1
Share capital	**19,835,907**	19,750,907
Contributed surplus	**9,303,859**	9,283,950
Deficit	**(31,534,426)**	(29,724,012)
Total Capital	**(49,546)**	1,335,625

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Terms of the Credit Facility include financial covenants by the Corporation, including the obligation to maintain Debt Service Coverage, defined as the ratio of EBITDA to the total of Interest Expense and scheduled principal payments in respect of Funded Debt, at the end of each financial year of not less than 1.25:1. The Corporation is in default of these terms of the Credit Facility and at this time it cannot be determined what action the Lender may take upon receipt of the Audited Financial Statements.

21. CONTRACTUAL OBLIGATIONS

Effective July 28, 2020 the Corporation is committed to a lease agreement related to the Corporation's premises, commencing on August 1, 2020, and terminating on July 31, 2021. Under the terms of this lease, the Corporation is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments. The future minimum lease payments are shown in the table below.

2022	$1,440

The Corporation's exclusive distribution rights are dependent on the achievement of certain annual minimum purchase targets agreed between the parties from time to time. The minimum purchase requirements were waived for the year ended March 31, 2021.

22. CAPITAL RESOURCES

The Corporation does not anticipate any major expenditure on capital resources.

23. OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

24. LONG-TERM INVESTMENTS

Woodland Biofuels Inc. ("Woodland")

The Corporation holds 112,272 shares in Woodland; further details appear in Note 7 of the Consolidated Financial Statements for the period ended March 31, 2021. During fiscal 2016 the Corporation wrote down the value of this investment to a nominal amount. Management is of the opinion that the full value of this investment will be realized; however, because there is no ready market for these shares, IFRS regulations require that the investment be written down to a nominal value. The Corporation will recognize the value of this investment when circumstances warrant a review.

25. RISKS AND UNCERTAINTIES

In addition to the general Risks and Uncertainties, Readers are referred to Note 19 – Subsequent Events – in the Consolidated Financial Statements to March 31, 2021

There are risks and uncertainties with the business operation and results of the Corporation. The risks noted below are not the only risks associated with the Corporation and its business, in particular the business of its wholly owned operating subsidiary, Surgical Lasers Inc. ("SLI"). Additional risks and uncertainties, including ones that the Corporation is not aware of or that the Corporation believes currently are not material, may also adversely affect the Corporation's business.

The Corporation is in the Development Stage: The business of SLI, in particular as it is a development stage company, involves a high degree of risk, including, but not necessarily limited to, the risk factors described below.

Limited Operating History: Investment in the Corporation should be regarded as speculative, due to the nature of and the present stage of development of its business. SLI has a limited operating history. The likelihood of the success of the SLI, and thus the Corporation, must be considered in light of the risks inherent in, and the difficulties, costs, and complications encountered in the early growth stage of a business enterprise and the development and marketing of new technologies. As a result of its early growth stage of business and its limited operating history, sales and results from operations are inherently more difficult to predict, and as a result, SLI may sustain operating losses.

Uncertainty of Market Acceptance: The Corporation currently derives a substantial portion of its revenues from the sale of its portable laser systems and related fiber-optic consumables. Those sales are exclusively to sophisticated medical professionals, and are presently concentrated only in the United States of America. Because of this limited marketplace and target market concentration, a decline in the demand for the products would have a material adverse effect on the Corporation. There can be no assurance that the Corporation's expanded marketing and sales efforts will result in increased market acceptance for its products.

Supply Dependency: Manufacture of the products distributed by SLI is dependent on the continued efficient supply of component parts from two key exclusive suppliers, both based in Europe. The shortage of supply of any machines, parts or materials would seriously jeopardize the SLI's ability to bring its products to market.

Dependence on Distribution Relationships: The business of SLI is dependent on the performance of its distributors.

Technological Factors: Technology of the complexity developed by SLI and its manufacturers may contain errors which, from time to time, become apparent subsequent to product introduction. To date, the cost to SLI of meeting its warranty obligations has not been significant and is, as far as possible, passed back to the respective manufacturer. However, SLI's product operating experience is limited, and increased warranty claims could have a material adverse effect on SLI's stature and acceptability in its marketplace.

Product Liability: The Corporation believes that it has adequate third party liability and errors and omissions insurance. To date, it has not made any claims with respect to this insurance. However, future product liability claims not covered by such insurance or in excess of the limits of such insurance could have a material adverse effect on the financial condition of the Corporation.

Technological and Product Obsolescence: The medical/surgical laser industry is characterized by rapid and significant technological changes. Current competitors or new market entrants could introduce new or enhanced products with features that render SLI's products obsolete or less marketable. Certain competitors are significantly larger, and thus have substantially greater financial resources. The ability of SLI to compete successfully will depend in large measure on the ability of SLI and its respective exclusive manufacturers to maintain a technically superior research and development staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards.

Protection of Intellectual Property: The Corporation has not applied for patents relating to the products it distributes because, at this time, the relevant technology rights belong to third parties, namely the manufacturers. SLI is preparing certain technological products and improvements that it may, if and when the opportunity arises, become the subject of application for patent or other proprietary right protection. It may be possible for competitors or customers to copy or duplicate certain aspects of the products distributed by SLI or obtain information that SLI and/or its manufacturers regard as proprietary. Furthermore, there can be no assurance that others will not independently develop products similar to those developed or planned by SLI and its manufacturers.

Infringement of Proprietary Rights: Although the Corporation believes that the products it distributes do not infringe on the proprietary rights of others and has not received any notice of claimed infringement, certain of the products it distributes could infringe on existing proprietary rights. If any such infringement does exist, there can be no assurance that any necessary licenses or rights could be obtained on terms satisfactory to Corporation or the respective manufacturer or that necessary modification could be made to the infringing products in a timely or commercially feasible manner.

Strict regulatory environment: SLI's laser devices and fiber delivery systems require regulatory approval for commercial sale. Numerous statutes and regulations govern human testing and the manufacture and sale of medical devices in the United States, Canada and the European Union and other countries where SLI intends to market its product. Such legislation and regulation bears upon, among other things, the approval of protocols, human testing, the approval of manufacturing facilities, testing procedures and controlled research, review and approval of manufacturing, preclinical and clinical data prior to marketing approval, as well as regulation of marketing activities including advertising and labelling.

While SLI has obtained relevant regulatory approvals in the United States for its current range of key laser products, future products and future developments of existing products may require submission for further testing of which the outcome cannot be guaranteed. Any failure to obtain necessary regulatory approval in future would materially adversely affect SLIs business, financial condition and results of operations.

Dependence Upon Key Personnel: The success of the Corporation is largely dependent on the personal efforts of certain key officers and employees. The loss of any of these key individuals could have a material adverse effect on the Corporation's business and prospects. In this respect the Corporation does not currently maintain keyman insurance. All employees, as a condition of employment, have signed confidentiality and non-compete agreements.

Government Assistance: The Corporation may utilize its entitlement for government assistance under applicable plans or programs that are designed to encourage investment in technology. There can be no assurance that such assistance will be made available to the Corporation with respect to any research and development of its technologies. There can be no assurance that the Corporation's research and development efforts will qualify for such assistance. Further, should the Corporation become listed on a major exchange, the rate of tax credits available on qualifying research and development expenditures will decrease by approximately 50%, and such credits will no longer be refundable.

Risk of International Sales: The continued growth of the Corporation's business will depend to a significant extent on sales to customers located outside Canada – principally in the United States of America and the Caribbean. The cost of supporting a widespread customer base could have a materially adverse effect on the Corporation.

Insurance costs could negatively impact profitability: The cost of insurance, including director and officer, worker's compensation, property, product liability and general liability insurance, has risen significantly in recent years and is

expected to continue to increase. These increases, and the Corporation's increased risk due to increased deductibles and reduced coverages, could have a negative impact on results of operations, financial condition and cash flows.
Risk of product liability claims: The use of medical devices for treatment of humans, even after regulatory marketing clearance approval is obtained, can result in product liability claims. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements. The Corporation currently maintains product liability insurance in connection with the use of its devices but may not, in the future, be able to obtain or maintain adequate protection against potential liabilities arising from such use. If the Corporation is unable to obtain sufficient levels of insurance at acceptable cost or otherwise protect against potential product liability claims, it will be exposed to product liability claims. A successful product liability claim in excess of the Corporation's insurance coverage could harm the Corporation's financial condition, results of operations and ability to continue in business. Even if a claim is not successful, defending such a claim may be time-consuming and expensive.

Risk of use of product in unapproved circumstances: While the Corporation is prohibited by law from marketing or promoting any unapproved use of its products, physicians/clinicians in most jurisdictions, can use these products in ways or circumstances other than those strictly within the scope of the regulatory approval. Although the product training the Corporation will provide to physicians and other health care professionals will be limited to approved uses or for clinical trials, no assurance can be given that claims might not be asserted against the Corporation if its product is used in ways or for procedures that are not approved.

Unexpected product safety or efficacy concerns: Unexpected safety or efficacy concerns can arise with respect to marketed products, whether or not scientifically justified, leading to product recalls, withdrawals or declining sales, as well as product liability, consumer fraud and/or other claims. This could have a material adverse effect on the Corporation's business, financial results and operating results

Future Financing Requirements: The Corporation anticipates that it will require additional financing in the future in order to fund continued product development and marketing. There is no assurance that such financing will be available.

Debt Service Coverage: The Terms of the Credit Facility include financial covenants by the Corporation, including the obligation to maintain Debt Service Coverage, defined as the ratio of EBITDA to the total of Interest Expense and scheduled principal payments in respect of Funded Debt, at the end of each financial year of not less than 1.25:1

Foreign Exchange Rates: Substantially all of the Corporation's sales are denominated in U.S. dollars. General and Administrative costs are incurred principally in Canadian dollars, while costs of product acquisition from exclusive manufacturers in Europe are denominated in Euros. The economics of the Corporation's business may be adversely affected by fluctuations in foreign exchange rates which may adversely affect both sales and gross margins from the sales of its products.

Dilution: Calls for additional capital to develop the Corporation's business in the future may be met by issuance of common shares, leading to dilution of existing shareholder interests.

No Dividends: The Corporation has not paid any dividends with respect to its Common Shares and does not anticipate paying any dividends in the foreseeable future.

In addition to the foregoing risks and uncertainties, there also financial risks which are discussed in detail in Note 16 to the Consolidated Financial Statements for the period ended March 31, 2021

26. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by National Instrument 52-109, the Corporation's Acting Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be filing annual and quarterly certificates of disclosure concurrent with the filing of its annual and quarterly filings.

The Board of Directors together with an independent and qualified Audit Committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

27. STOCK EXCHANGE LISTING

Since June 21, 2017, the shares have been listed on the Canadian Securities Exchange, trading under the symbol ASTI.

28. SHARE CAPITAL, WARRANTS AND INCENTIVE STOCK OPTIONS

As at March 31, 2021 and at the date of this Report there are 23,079,172 issued and outstanding common shares (March 31, 2020 – 22,866,672).

As at March 31, 2021 and at the date of this Report there are nil issued and outstanding Series "A" special shares (March 31, 2020 – 919,741).

As at March 31, 2021 and at the date of this Report there were nil issued and outstanding Class "C" Warrants (March 31, 2020 - 1,148,070) and nil issued and outstanding Class "C" Brokers Warrants (March 31, 2020 - 38,008).

As at March 31, 2021 there were nil issued and outstanding Share Purchase Warrants exercisable to purchase up to 187,500 common shares at $0.50 per share valid until to April 17, 2020 (March 31, 2020 - 187,500).

As at March 31, 2021 and at the date of this Report there are 723,450 issued and outstanding Warrants valid to December 26, 2021 (March 31, 2020 – 723,450) and 90,783 issued and outstanding Brokers Warrants valid until December 26, 2021 (March 31, 2020 – 90,783).

As at March 31, 2021 and the date of this Report there are 797,815 issued and outstanding Warrants valid to May 29, 2022 (March 31, 2020 – 797,815) and 108,892 issued and outstanding Brokers Warrants valid until May 29, 2022 (March 31, 2020 – 108,892).

As at March 31, 2021 and the date of this Report there are 10,000 issued and outstanding Warrants valid to June 6, 2022 (March 31, 2020 – 10,000).

As at March 31, 2021 and at the date of this Report there are 1,710,000 issued and outstanding Incentive Stock Options to purchase common shares (March 31, 2020 – 1,460,000).

Please refer to Notes 8 and 9 to the Consolidated Financial Statements for the period ended March 31, 2021 for additional information on share capital, Warrants and Incentive Stock Options.

29. ESCROW

As a condition of the closing of the acquisition of the issued shares of Surgical Lasers Inc., and in accordance with the general requirements of *National Policy 46-201*, Gordon Willox, as Vendor, entered into an Escrow Agreement pursuant to which the securities issued to him as consideration for the acquisition of Surgical Lasers Inc. were placed In Escrow. The Escrowed Securities are to be released in accordance with a timed schedule over a period of 36 months from the date upon which trading of the common shares of the Corporation commences. The Tables below set out (a) particulars of the securities placed in escrow and (b) the details of release from escrow.

Designation of class held in escrow	Number of securities held in escrow	Percentage of class
Common Shares	4,598,704	27.33%
Series A Special Shares	1,532,901	100%

The following Table sets out details of the Release provisions.

Release Dates	**Percentage of Total Escrowed Securities to be Released**		**Total Number of Escrowed Securities to be Released**	
	Common	**Series A**	**Common**	**Series A**
Listing Date	10%	10%	459,870	153,290
6 months	15%	15%	689,805	229,935
12 months	15%	15%	689,805	229,935
18 months	15%	15%	689,805	229,935
24 months	15%	15%	689,805	229,935
30 months	15%	15%	689,805	229,935
36 months	15%	15%	689,809	229,936
	100%	**100%**	**4,598,704**	**1,532,901**

As at March 31, 2017, all of the above securities were held in Escrow. In accordance with the provisions of the Escrow Agreement, 459,870 common shares and 153,290 Series "A" special shares were released from Escrow on June 21, 2017, being the Listing Date when the common shares commenced trading on the Canadian Securities Exchange and subsequent releases will take place at nine-monthly intervals from that date as indicated in the above Table. A further 689,805 common shares and 229,935 Series "A" special shares were released from Escrow on December 21, 2017 and a further 689,805 common shares and 229,935 Series "A" special shares were released from Escrow on June 21, 2018 and a further 689,805 common shares and 229,935 Series "A" special shares were released from Escrow on December 21, 2018 and a further 689,805 common shares and 229,935 Series "A" special shares were released from Escrow on June 21, 2019 and a further 689,805 common shares and 229,935 Series "A" special shares were released from Escrow on December 21, 2019 and a further 689,809 common shares and 229,936 Series "A" special shares were released from Escrow on June 21, 2020, so that as at the date of this Report nil common shares and nil Series "A" special shares are held in Escrow.

Additional information may be found in the Corporation's documents filed on SEDAR, at www.sedar.com.

DATED: August 16, 2021

CORPORATE PROFILE

Board of Directors

David J. Hennigar, Bedford, Nova Scotia	Director, Chairman
N. Gary Van Nest, Toronto, Ontario	Director, Vice Chairman
Dr. Robert Francis, Toronto, Ontario	Director
Dr. Stanley Swierzewski III, Holyoke, MA, USA	Director

Corporate Officers

N. Gary Van Nest, Toronto, Ontario	Chief Executive Officer
Lorne S. MacFarlane, Dartmouth, Nova Scotia	Chief Financial Officer
Christopher H. Freeman, King City, Ontario	Secretary

Corporate Office

89 Scollard Street
Toronto, ON M5R 1G4
Tel.: (902) 496-7594
Fax: (902) 484-7599

Corporate Information

Bankers	Royal Bank of Canada, Richmond Hill, Ontario
Lawyers	C. H. Freeman, Barrister & Solicitor, King City, Ontario
Auditors	RSM Canada LLP, Toronto, Ontario
Transfer Agent & Registrar	TSX Trust Company, Toronto, Ontario