



## **MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR YEAR ENDED MARCH 31, 2022**

**1. CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

The Management Discussion and Analysis (“MD&A”) 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, 2022, it also addresses key events that have occurred up to and including the date of this Report. Readers are specifically referred to Note 20 – Litigation, in the Note to the Consolidated Financial Statements to March 31, 2022.

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](http://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, 2022 and should be read in conjunction with its audited Consolidated Financial Statements for the year ended March 31, 2022 and the related notes thereto (the “Consolidated Financial Statements”). Unless otherwise indicated the amounts included in the following discussions are expressed in Canadian dollars.

**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, 2021 and in the current year. These circumstances cast significant 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 prior fiscal years which was been further supplemented during the current year by advances from a significant shareholder. 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, 2022. 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 principally a provider of innovative, minimally invasive medical laser systems and consumables for multiple medical disciplines, principally in the field of urology.

The Corporation’s primary focus is the development, sale, distribution, marketing, and exploitation of technologies for use in surgical environments.

The Corporation offers strong market potential in today’s medical world where the technology vertical is predicted to be worth billions of dollars in the near term.

The Corporation is currently generating revenue from sales and service operations through its subsidiary SLI. This is expected to increase each year going forward along with adding value added services and technologies through organic growth and acquisition.

SLI's focus has always been on clinical efficacy, evidence-based research, proven technologies, and value. This allows SLI to deliver practical solutions which not only enhances patient care, but also introduces operational and financial benefits to medical practices. In this regard, SLI delivers measurable benefits to patients, clinicians, and the medical system alike and offers the following benefits:

- Enhanced patient care
- Minimally invasive laser treatments
- Value based, cost-effective & practical laser based solutions
- Best of breed technology
- Cost effective consumables
- Unparalleled support & comprehensive educational programs

Following the temporary setbacks caused by shutdowns during the pandemic, we are looking forward to getting back to a more normal and predictable environment and steady recovery and regrowth for our shareholders and clients.

As described in Press Releases issued in February and March, 2021, former management personnel were removed in February, 2021, Salumatics Inc. has been retained to provide overall Management and Administration services to SLI and the offices of SLI have been moved to Mississauga, Ontario. Further, as described in Note 19 to the Consolidated Financial Statements, significant litigation has been commenced against certain former management personnel and their related corporations.

SLI utilized the opportunity of the consequences of the COVID epidemic and the reorganization of management and administration to redevelop many processes, procedures and systems including an online e-commerce storefront for consumables and cost saving improvements that will provide benefits in the future.

**6. OVERALL PERFORMANCE RELATING TO OPERATIONS FOR THE YEAR ENDING MARCH 31, 2022**

Revenues from operations for the year ended March 31, 2022 were \$327,662 (March 31, 2021 - \$583,444). Cost of goods sold in the year ended March 31, 2022 were \$197,365 (March 31, 2021 - \$366,849).

General and administrative expenses in the year ended March 31, 2022 were \$1,019,869 (March 31, 2021 - \$1,554,713). Included in these expenses in the current year is an impairment charge of \$253,251 (2021 - \$680,935). Interest and bank charges in the year ended March 31, 2022 were \$212,783 (March 31, 2021 - \$371,456). The interest charges in the current year include \$7,615 (2021 - \$181,623) of imputed interest on the related party loan and \$57,675 (2021 \$39,812) imputed interest on the long term debt. Amortization expense in the year ended March 31, 2022 was \$51,078 (March 31, 2021 - \$135,609).

Interest income in the year ended March 31, 2021 was \$13,648 (March 31, 2021 - \$14,768). The Corporation also recorded a \$20,000 gain on forgiveness of the CEBA loan in the prior year there was no such amount in the current year.

The net loss and comprehensive loss for the year ended March 31, 2022 was \$859,196 (March 31, 2021 - \$1,810,414).

**7. SELECTED CONSOLIDATED FINANCIAL INFORMATION**

Selected items from the Consolidated Balance Sheets as at March 31, 2022, March 31, 2021, and March 31, 2020:

**Aquarius Surgical Technologies Inc.**  
**Management Discussion and Analysis**  
**For the year ended March 31, 2022**



<b>Balance Sheet Item</b>	<b>31-Mar-22</b> \$'s	<b>31-Mar-21</b> \$'s	<b>31-Mar-20</b> \$'s
Cash and deposits	158,190	145,973	105,186
Accounts receivable	87,090	204,193	146,244
Inventory	44,539	21,097	105,348
Prepaid expenses and deposits	53,675	18,353	42,928
Due from related party	265,391	251,896	238,049
Long term investment	280,590	1	1
Equipment	5,506	304,616	1,021,160
Accounts payable	867,660	414,693	323,291
Current portion long term debt	622,663	430,981	-
Operating loan	156,488	150,000	-
Long term debt	-	229,346	154,495
Related party advances	2,463,026	2,115,768	1,870,284
Series "A" special shares	-	-	1
Shareholders Equity (Deficiency)	(3,214,856)	(2,394,660)	(689,155)

**8. CASH AND DEPOSITS**

Cash and deposits on hand increased to \$158,190 at the end of the current period from \$145,973 in the prior year. The current year balance includes a deposit in the amount of \$100,000 (2021 - \$100,000)

**9. ACCOUNTS RECEIVABLE**

Accounts receivable decreased to \$87,090 at the March 31, 2022 compared to \$204,193 in the prior year. Included in accounts receivable is HST receivable of \$38,410 (2021 - \$19,211).

**10. INVENTORIES**

Inventories were \$61,751 at March 31, 2022 compared to \$21,097 in the prior year.

**11. PREPAID EXPENSES AND DEPOSITS**

Prepaid expenses and deposits at March 31, 2022 were \$53,675 compared to \$18,353 in the prior year

**12. DUE FROM RELATED PARTY**

Due from related party at March 31, 2022 was \$265,381 (see Notes 6(A) to the Consolidated Financial Statements); (March 31, 2021 - \$251,896).

**13. EQUIPMENT**

Equipment at March 31, 2022 was \$5,506 compared to \$305,616 in the prior year. In light of the events which occurred in the prior year management of the Corporation undertook a further review of all laser equipment and determined that the equipment had not been serviced or properly maintained. As a result, an impairment charge of \$253,251 was recorded in the current year in addition to the \$680,935 recorded in the prior year. The equipment has been inspected and calibrated by licensed technicians and will be used for 0\$ Capex placements where suitable. (see Note 20 - Litigation to the Consolidated Financial Statements).

**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable increased to \$867,660 at March 31, 2022 from \$414,693 in the prior year.

**Aquarius Surgical Technologies Inc.**  
**Management Discussion and Analysis**  
**For the year ended March 31, 2022**



**15. CURRENT PORTION LONG TERM DEBT**

The current portion of long term debt at March 31, 2022 was \$622,663 compared to \$430,981 in the prior year.

**16. OPERATING LOAN**

The operating loan at March 31, 2022 was \$156,488 (see Notes 6(C) to the Consolidated Financial Statements); (March 31, 2021 - \$150,000).

**17. LONG TERM DEBT**

Long term debt at March 31, 2022, was \$ nil compared to \$229,346 in the prior year.. The convertible note due April 15, 2022 is now classified as a current liability and is included in the current portion long term debt. 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 \$2,463,026 at March 31, 2022 compared to \$2,115,768 at March 31, 2021. Please refer to Note 6(A), (B) and (C) 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, 2022:

DESCRIPTION	31-Mar 2022 \$'s	31-Dec 2021 \$'s	30-Sep 2021 \$'s	30-Jun 2021 \$'s	31-Mar 2021 \$'s	31-Dec 2020 \$'s	30-Sep 2020 \$'s	30-Jun 2020 \$'s
<b>OPERATIONS</b>								
Sales								
Equipment	-	-	62,859	-	194,838	-	-	-
Fibers	44,495	50,074	68,982	44,447	121,843	66,000	75,371	84,233
Equipment rental	-	-	-	-	-	8,760	-	-
Other	29,687	7,378	13,993	5,747	9,555	10,214	4,105	8,525
Cost of sales	74,182	57,452	145,834	50,194	326,236	84,974	79,476	92,758
Gross Margin	18,265	15,401	69,801	26,830	98,320	43,426	41,516	33,333
Expenses and other items								
General and administrative	463,608	150,393	198,423	207,445	789,750	218,411	283,149	263,402
Amortization	12,797	13,230	12,456	12,595	33,902	33,902	32,293	35,512
Interest and bank charges	57,827	51,493	50,490	52,973	93,417	93,305	90,716	94,017
Gain on forgiveness CEBA loan	-	-	-	-	-	(20,000)	-	-
Interest income	(3,374)	(3,374)	(3,374)	(3,527)	(3,617)	(4,058)	(3,624)	(3,468)
Change in carrying value of investment	(280,589)	-	-	-	-	-	-	-
	250,270	211,742	257,995	269,486	913,452	321,560	402,534	389,463
Net Loss	(232,005)	(196,341)	(188,194)	(242,656)	(815,132)	(278,134)	(361,018)	(356,130)
EPS	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.01)	(0.02)	(0.02)

**Discussion of Selected Quarterly Financial Data - Operations**

In the quarter ended March 31, 2022 Equipment sales were \$ nil (March 31, 2021 - \$194,838); Fiber sales were \$44,495 (March 31, 2021 - \$121,843); Equipment rentals were \$ nil (March 31, 2021 \$ nil) and other sales and services were \$29,687 (March 31, 2021 - \$9,555). Cost of sales for the quarter ended March 31, 2022 were \$55,911 (March 31, 2021 - \$227,916). The gross margin for the quarter ended March 31, 2022 was \$18,265 (March 31, 2021 - \$98,320).

**Aquarius Surgical Technologies Inc.**  
**Management Discussion and Analysis**  
**For the year ended March 31, 2022**



For the quarter ended March 31, 2022 General and administrative expenses were \$463,608 (March 31, 2021 - \$789,750; Amortization was \$12,797 (March 31, 2021 - \$33,902); Interest and bank charges were \$57,827 (March 31, 2021 - \$93,417) and Interest income was \$3,374 (March 31, 2021 - \$3,617); Change in carrying value of investments \$280,589 (March 31, 2021 – \$ nil)

The net loss for quarter ended March 31, 2022 was \$232,005 (\$0.01 per share) compared to loss of \$815,132 (\$0.04 per share) in the prior year. For the quarter ended March 31, 2021 the weighted-average number of shares outstanding was 23,098,952 (March 31, 2021 – 23,004,172).

The results for the three month period ended March 31, 2022, compared to the results of the same period in 2021, reflect that during the comparative period in 2021, certain senior management personnel – who have since been removed, and are now subject to litigation as described in Note 20 to the Consolidated Financial Statements - were diverting business opportunities and potential sales, as well as their own attention, away from the business of the Corporation and towards their own self-interest. The business of the Corporation is subject to the cyclical fluctuations of the businesses of its clients, which are unpredictable. Administrative and management expenses during period ended March 31, 2022, have been directed principally towards establishment of efficient inventory management, well supervised sales management and development of business opportunities. As noted at Item 13 above, a significant impairment charge in respect of equipment was recorded in the quarters ended March 31, 2022 and March 31, 2021 to reflect that laser equipment had not been serviced or properly maintained. That equipment is now being fully inspected and calibrated by licensed technicians, and will be used for 0\$ Capex placements where suitable. The anticipated increase in equipment directed towards the \$0 Capex placement program will likely be reflected by an increase in fiber sales in future fiscal periods, while sales of new lasers will be built on a base of entirely new equipment.

**20. MANAGEMENT OF CAPITAL**

The Corporation defines capital that it manages as the aggregate of its loans payable, amount due to related party, 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.

<b>Management of Capital</b>	<b>31-Mar-22</b>	<b>31-Mar-21</b>
	<b>\$</b>	<b>\$</b>
Cash	<b>158,190</b>	145,973
Operating loan	<b>156,488</b>	150,000
Convertible note	<b>247,020</b>	189,346
Long term debt	<b>375,643</b>	470,981
Amount due to related party	<b>2,463,026</b>	2,115,768
Share capital	<b>19,874,907</b>	19,835,907
Contributed surplus	<b>9,303,859</b>	9,303,859
Deficit	<b>(32,393,622)</b>	(31,534,426)
<b>Total Capital</b>	<b>185,511</b>	677,408

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 accordingly the balance is presented in current liabilities. 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 was 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

was required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum lease payments.

That lease is now terminated and the Corporation is maintaining an office on a monthly basis as part of a management contract with Salumatics Inc.

## **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, 2022. During fiscal 2016 the Corporation wrote down the value of this investment to a nominal amount. Woodland recently completed a placement of common shares to unrelated third parties at US\$2 per share. Accordingly, the Corporation has increased the carrying value of the investment to C\$2.4992 per share and recognized an increase of \$280,589 in the value of the investment.

## **25. RISKS AND UNCERTAINTIES**

In addition to the general Risks and Uncertainties, Readers are referred to Note 20 – Litigation – in the Consolidated Financial Statements to March 31, 2022

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, 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 SLI's 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.

*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 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, 2022

**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, 2022 and at the date of this report there are 23,679,172 issued and outstanding common shares (March 31, 2021 – 23,079,172).

As at March 31, 2022 and at the date of this Report there are nil issued and outstanding Warrants valid to December 26, 2021 (March 31, 2021 – 723,450) and nil issued and outstanding Brokers Warrants valid until December 26, 2021 (March 31, 2021 – 90,783).

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

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

As at March 31, 2022 and at the date of this Report there are 260,000 issued and outstanding Incentive Stock Options to purchase common shares (March 31, 2021 – 1,710,000).

Please refer to Notes 8 and 9 to the Consolidated Financial Statements for the period ended March 31, 2022 for additional information on Share Capital, Warrants and Incentive Stock Options. (See also Note 21 – Subsequent Event – to the Consolidated Financial Statements)

**Further Information**

Additional information may be found in the Corporation's documents filed on SEDAR, at [www.sedar.com](http://www.sedar.com).

**DATED: July 29, 2022**

**CORPORATE PROFILE**

**Board of Directors**

David J. Hennigar, Bedford, Nova Scotia	Director, Chairman
N. Gary Van Nest, Toronto, Ontario	Director, Vice Chairman
Charlotte Janssen, Toronto, Ontario	Director
Dr. Rajiv Singal, 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	Grant Thornton LLP, Mississauga, Ontario
Transfer Agent & Registrar	TSX Trust Company, Toronto, Ontario