



**AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Affinor Growers Inc. ("Affinor" or the "Company") and has been prepared based on information known to management as of June 12, 2020. This MD&A is intended to help the reader understand the condensed consolidated interim financial statements of Affinor.

This MD&A is dated June 12, 2020 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the nine months ended February 29, 2020 and the Company's audited consolidated financial statements for the year ended May 31, 2019 and the related notes thereto.

Additional information relating to the Company can be found on SEDAR www.sedar.com.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the consolidated financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

GLOBAL PANDEMIC

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's cash flows and liquidity.



FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A. The following forward-looking statements have been made in this MD&A:

- The potential and uncertainties of the Company's sales; and
- Expectations regarding the ability to raise capital and to continue its development of the vertical farming technology.

ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.affinorgrowers.com.

SUMMARY AND OUTLOOK

It is the mission of Affinor to be the world-wide technology and market leader in acquiring and commercializing innovative vertical farming technologies that use the least possible resources (eg. land, water, and energy resources) to produce high quality, sustainable products.

Affinor's patented technologies position the Company well in the vertical farming industry. It is one of the only vertically integrated growing system that can offer automated mechanical pollination for fruiting crops and true vertical solutions for the vertical farming industry. Revenue models for the Company include one-time licensing fees, royalties on production, and margin on the sale of the Company's patented technology.

The Company's focus for 2020 will be on working with our strategic partners to commercialize the vertical farming towers as well as the new Hydro tower. The Company's goal is to become the leading technology developer and distributor of vertical farming equipment in order to help solve food security problems by using our proprietary growing systems.



1. Background

The Company was incorporated under the Canadian Business Corporations Act on August 27, 1996. The Company is a diversified publicly traded company on the Canadian Securities Exchange under the symbol “AFI” and is also listed on the Frankfurt Stock Exchange under the symbol “1AF” as well as on the US OTCQB under the symbol “RSSFF”.

The Company began as Affinor Resources Inc., a company with mining projects in Québec, Canada. The Company recognized a great opportunity when it discovered a team that was developing a system and technology to help solve problematic crops sustainably.

2. Highlights Summary

The following is a brief description of the activities incurred by the Company during this current fiscal period and to date. Additional information can be obtained from the Company’s website (www.affinorgrowers.com).

During the nine months ended February 29, 2020, the Company’s focus was on continuing its development of its technology and developing its strategic partnerships. The Company continued its discussions with Cobotix Manufacturing about moving forward with the acquisition of its manufacturing assets while also spending a significant amount of time working on moving the cannabis LED lights forward.

As of the date of this MD&A, the cannabis LED lights are being tested by Cannalife Solutions LLC in a grow trial. Cannalife is private corporation based out of Eugene, Oregon that has been growing cannabis since 2015, when cannabis was legalized in Oregon. They are focused on growing high-quality craft cannabis strains while using the most cutting-edge technology and growing techniques. With a commitment to research and development, Cannalife has become one of the leading cannabis growers in Oregon.

The first grow trial ran from mid-December 2019 to the end of February 2020. After a period of five (5) weeks of drying and testing, the final results were received by Cannalife Solutions. The test results are summarized in the table below:

	LED Lights	HPS Lights
Total Grade A Cannabis*	14.48 Lbs	14.27 Lbs
Total Grade B Cannabis**	5.8 Lbs	7.1 Lbs
THC Content	22.93%	18.16%
Total Cannabinoids	27.45%	21.89%
Total Terpenes	2.67%	2.03%
Distance from canopy	18 Inches	36 Inches

* A Grade - Large flower buds on the highest branches are called colas. They have a better visual appeal and often have a high THC level. High-intensity light affects the size of the buds, density and trichome production. The canopy (top and middle part of the plant) receive the most light leaving smaller buds on the bottom.

** B Grade - Airy buds that tend to form in areas that don’t receive as much light due to the “canopy-like” effect of the higher branches. They have lower levels of trichomes, therefore are less potent and aromatic than the larger colas.



Qualitative Highlights

- The LED light room saw less plant foliage and more spacing between the nodes. This resulted in greater light penetration deeper into the canopy;
- The LED light room showed higher density in the canopy bud and had more developed lower level buds as compared with the double ended high-pressure sodium ("DE HPS") light room;
- The LED light room had less foxtailing than the DE HPS room. Cannabis foxtailing is a phenomenon in which the buds of a cannabis plant start growing abnormal spires or tips. For Cannalife Solutions and their master grower, Ivan Scheumack, less foxtailing is an added benefit to the already positive results they have seen with the lights.
- The LED lights reached an average of 1,550 micromoles at the canopy as compared to 1,450 micromoles with the DE HPS lights.

The Company is awaiting its second grow trial results while Cannalife has moved into the third grow trial.

3. Risks and Uncertainties

The Company is subject to a number of risks and uncertainty associated with the successful development of its vertical growing technology to help grow crop products, such as romaine lettuce and strawberries, and with the financing requirements of its operations. The attainment of profitable operations is dependent upon future events, including the successful completion of technology crop feasibility studies, energy saving strategies and crop modeling. Commercialization of its products and technology is dependent on obtaining adequate financing to complete its commercialization plans.

The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the agricultural industry, produce price fluctuations and currencies.

Inherent risks within the agricultural industry

The commercial viability of an agricultural facility depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given produce include global demand and global supply. Other factors such as government subsidies, regulation and taxes could also have an impact on the economic viability of an agricultural facility.

There is no assurance at this time that the Company's agricultural facility or development will be economically viable.

Prices for produce

Produce prices are subject to price fluctuations and have a direct impact on the commercial viability of the Company's vertical growing technology. Price volatility results from a variety of factors, including global consumption and demand, international economic and political trends,



fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future sales.

Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while some of its operations are conducted in US dollars. Fluctuations in the exchange rates between the Canadian dollar and US dollar may impact the Company's financial condition.

4. Impairment of Intangible Assets

The Company completed an impairment analysis as at November 30, 2019 and concluded that there were no indicators of impairment of the Company's intangible assets.

5. Material Financial and Operations Information

5(a) Selected Annual Financial Information

Selected Annual Information

	Year Ended May 31, 2019	Year Ended May 31, 2018	Year Ended May 31, 2017
Total revenues	\$ 3,000	\$ -	\$ -
Loss before other items	(913,437)	(4,707,481)	(1,917,140)
Loss on investments	-	-	(31,551)
Impairment of property and equipment, receivables, deposits and loans	(1,490,407)	-	-
Loss for the year	(2,403,844)	(4,699,488)	(1,717,118)
Loss per share	(0.02)	(0.04)	(0.01)
Total assets	1,185,263	3,334,322	2,776,894
Total long-term financial liabilities	-	-	-
Cash dividends declared – per share	N/A	N/A	N/A



5(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

Three months ended				
	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
Total revenues	\$ -	\$ -	\$ 53,550	\$ 3,000
Net loss	\$ (168,181)	\$ (163,130)	\$ (141,630)	\$ (1,729,596)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)

Three months ended				
	February 28, 2019	November 30, 2018	August 31, 2018	May 31, 2018
Total revenues	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (148,130)	\$ (219,696)	\$ (306,422)	\$ (4,058,574)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.03)

5(c) Review of Operations and Financial Results

For three months ended February 29, 2020 and three months ended February 28, 2019

During the three months ended February 29, 2020, the Company reported a loss of \$168,181 (\$0.00 loss per share) (2019 – \$163,130 (\$0.00 loss per share)).

The significant changes during the three months ended February 29, 2020 as compared with the three months ended February 28, 2019 were as follows:

- Amortization of patents decreased to \$16,048 as compared to \$37,047 during the same period in 2019. The decrease is a result of the Company writing down one of the Company's patents during the year-ended May 31, 2019 resulting in lower amortization being taken in 2020.
- Consulting fees decreased to \$Nil in 2020 as compared with \$30,000 in 2019. The decrease was the result of the Company focusing its energies on patent development and looking for partners to commercialize the Company's technology.
- Other operating expenses decreased to \$3,192 in 2020 as compared with \$22,606 in 2019. The decrease was a result of the Company have decreased operations and a more efficient operating structure.
- Research and development costs increased to \$26,569 during 2020 as compared with \$nil in 2019. Then change is the result of the Company's research project with the University of Fraser Valley.
- Interest expense and accretion expense was a new expenditure in 2020 as the Company entered into a convertible debenture on November 1, 2019. Interest expense was \$18,750 and accretion was \$24,754.



For nine months ended February 29, 2020 and nine months ended February 28, 2019

During the nine months ended February 29, 2020, the Company reported a loss of \$517,875 (\$0.00 loss per share) (2019 – \$689,248 (\$0.00 loss per share)).

The significant changes during the nine months ended February 29, 2020 as compared with the nine months ended February 28, 2019 were as follows:

- Amortization of patents decreased to \$46,856 as compared to \$106,581 during the same period in 2019. The decrease is a result of the Company writing down one of the Company's patents during the year-ended May 31, 2019 resulting in lower amortization being taken in 2020.
- Consulting fees decreased to \$46,030 in 2020 as compared with \$90,000 in 2019. The decrease was the result of the Company focusing its energies on patent development and looking for partners to commercialize the Company's technology.
- Research and development costs increased to \$34,853 during 2020 as compared with \$820 in 2019. Then change is the result of the Company's research project with the University of Fraser Valley.
- Share-based compensation decreased to \$nil in 2020 as compared with \$131,860 in 2019 due to the Company not issuing any share options in 2020.
- Interest expense and accretion expense was a new expenditure in 2020 as the Company entered into a convertible debenture on November 1, 2019. Interest expense was \$25,000 and accretion was \$32,439.

5(d) Liquidity and Capital Resources

The Company continued to utilize its cash resources to fund its administrative requirements and product development. As the Company does not currently generate revenue, cash balances, unless replenished by capital fundraising, will continue to decline as funds are utilized to conduct its operations.

In order to fund the Company's ongoing operational needs, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. The Company's operations to date have been financed by the issuance of its common shares, share options and warrants, debt instruments and government assistance. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

The Company's business plan is dependent on raising additional funds to finance its commercial trial and development and its operations within and beyond the next 12 months. While the Company has managed to fund its operations in the past through equity financing, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no guarantee that it will be able to obtain additional financing in the future. If the Company is unable to obtain sufficient additional financing, it may have to delay, scale back or eliminate its development plans for its present or future facilities and curtail operations, which



could harm the business, financial condition and results of operations. This could occur in the near term. Until such financing is secured and profitable operations are reached, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed consolidated interim financial statements, then adjustments, which could be material, would be necessary to the carrying value of assets and liabilities, revenues and expenses and classification in statement of financial position.

6(e) Disclosure of Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at February 29, 2020, the Company's share capital was \$25,315,866 (May 31, 2019 - \$25,315,866) representing 152,908,108 common shares (May 31, 2019 – 152,908,108 common shares).

Share option transactions and the number of share options for the period ended February 29, 2020 are summarized as follows:

Expiry date	Exercise price	May 31, 2019	Granted	Exercised	Expired/ cancelled	February 29, 2020
June 2, 2019	\$ 0.85	100,000	-	-	(100,000)	-
June 5, 2019	\$ 1.03	100,000	-	-	(100,000)	-
June 8, 2019	\$ 0.10	200,000	-	-	(200,000)	-
June 27, 2019	\$ 0.67	200,000	-	-	(200,000)	-
August 11, 2019	\$ 0.47	300,000	-	-	(300,000)	-
October 18, 2019	\$ 0.165	800,000	-	-	(800,000)	-
October 25, 2019	\$ 0.17	700,000	-	-	(700,000)	-
October 28, 2019	\$ 0.25	200,000	-	-	(200,000)	-
November 3, 2019	\$ 0.135	100,000	-	-	(100,000)	-
November 17, 2019	\$ 0.16	500,000	-	-	(500,000)	-
November 22, 2019	\$ 0.15	1,250,000	-	-	(1,250,000)	-
December 20, 2020	\$ 0.155	500,000	-	-	-	500,000
January 16, 2021	\$ 0.19	900,000	-	-	-	900,000
April 5, 2021	\$ 0.115	2,000,000	-	-	-	2,000,000
May 18, 2021	\$ 0.11	500,000	-	-	-	500,000
July 16, 2021	\$ 0.10	100,000	-	-	-	100,000
August 24, 2021	\$ 0.115	600,000	-	-	-	600,000
September 27, 2021	\$ 0.10	1,000,000	-	-	-	1,000,000
Options outstanding		10,050,000	-	-	(4,450,000)	5,600,000
Options exercisable		10,050,000	-	-	(4,450,000)	5,600,000
Weighted average exercise price		\$0.18	\$ -	\$ -	\$ 0.24	\$0.13



The continuity of warrants for the nine month period ended February 29, 2020 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	February 29, 2020
August 17, 2020	\$0.10	2,000,000	-	-	-	2,000,000
March 8, 2020	* \$0.25	24,997,916	-	-	-	24,997,916
April 17, 2020	* \$0.20	3,203,631	-	-	-	3,203,631
Outstanding		30,201,547	-	-	-	30,201,547
Weighted average exercise price		\$0.23	\$ -	\$ -	0	\$0.23

* - Warrants expired unexercised subsequent to period end.

The continuity of broker's warrants for the nine month period ended February 29, 2020 is as follows:

Expiry date	Exercise price	May 31, 2019	Issued	Exercised	Expired	February 29, 2020
April 17, 2020	* \$0.20	70,747	-	-	-	70,747
Outstanding		70,747	-	-	-	70,747
Weighted average exercise price		\$0.20	\$ -	\$ -	\$ -	\$0.20

* - Warrants expired unexercised subsequent to period end

As at June 12, 2020, the Company has 152,908,108 common shares outstanding, 5,600,000 share options outstanding, and 2,000,000 share purchase warrants outstanding. All broker warrants expired unexercised subsequent to February 29, 2020.

5(f) Off-Balance Sheet Arrangements

None.

5(g) Transactions with Related Parties

Related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties. The Company's related parties include directors, key management and companies controlled by directors and key management, as described below. The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Nine Months Ended	
	February 29, 2020	February 28, 2019
Consulting fees	\$ 40,000	\$ 90,000
Managemenet fees	45,000	75,000
Wages and employee benefits	114,335	122,601
Share-based payments	-	124,480
Total	\$ 199,335	\$ 412,081

AFFINOR GROWERS

	Services	Transactions for the nine months ended		Balance due	
		February 29, 2020	February 28, 2019	As at February 29, 2020	As at February 28, 2019
Aboriginal Import Export ^(a)	Consulting and management fees	\$ 40,000	\$ 90,000	\$ 40,000	\$ 20,000
Randy Minhas, Chief Financial Officer ^(b)	Salaries and share-based payment	\$ 114,335	\$ 122,601	\$ 1,637	\$ -
Softail Enterprises Inc. ^(c)	Consulting fees	\$ 45,000	\$ 75,000	\$ 21,000	\$ 10,500
Brian Whitlock, Director ^(d)	Share-based payment	\$ -	\$ 34,850	\$ 9,065	\$ -
Alan Boyco, David Mack and Rick Easthorn ^(e)	Share-based payment	\$ -	\$ 54,780	\$ -	\$ -

- (a) Nicholas Brusatore was appointed as the Chief Executive Officer effective January 29, 2018 and was compensated via payment to Aboriginal Import Export, a company controlled by Mr. Brusatore. Mr. Brusatore resigned as Chief Executive Officer effective September 28, 2018. Mr. Brusatore remained on as a consultant until September 28, 2019.
- (b) Randy Minhas was appointed as the Chief Financial Officer effective May 2, 2018 and named Chief Executive Officer on September 28, 2018. Amounts owing are for reimbursable expenses.
- (c) Softail Enterprises Inc. is controlled by a director of the Company. The balance owing as of August 31, 2019 includes management fees and reimbursable expenses incurred by the director.
- (d) Brian Whitlock is a director of the Company. Amounts owing are for reimbursable expenses.
- (e) Alan Boyco, David Mack and Rick Easthorn are directors of the Company. David Mack resigned as a director on September 28, 2018.

(ii) Due from related parties

On August 9, 2018, the Company advanced US\$75,000 to VDL Colombia S.A.S., a company in which a director of the Company had an ownership interest. This advance is secured by a promissory note, the assets of the company, of which there are currently none, and the shares of the company pledged by shareholders of the company, bears interest at 15% per annum payable monthly commencing on August 31, 2018 and matured on August 31, 2018. Prior to May 31, 2019, the director divested his interest in VDL Colombia S.A.S.

As at February 29, 2020, there is US\$49,657 outstanding. The loan is due on demand.

	As at	
	February 29, 2020	May 31, 2019
Balance, beginning of period	\$ 30,145	\$ -
August 9, 2018, inception of the loan	-	99,233
Interest accrued	6,863	8,948
Repayments	-	(50,000)
Provision for credit loss	-	(30,000)
Foreign exchange	(320)	1,963
Total	\$ 36,688	\$ 30,144



5(h) Financial Instruments

The fair values of the Company's cash, receivables (excluding GST/sales tax), due from related parties, and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including market risk, liquidity risk, credit risk and currency risk.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, such as foreign exchange rates and interest rates. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company does not trade in financial assets for speculative purposes.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its obligations.

As at February 29, 2020 and May 31, 2019, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at February 29, 2020, the Company has financial assets of \$92,627 to cover financial liabilities of \$658,372, inclusive of the \$500,000 face value of the convertible debenture. The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

(ii) Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company is exposed to credit risk on cash, receivables (excluding GST/sales taxes), deposits and due from related parties. Cash is held with a Canadian chartered bank and management considers this risk to be negligible. The amounts due from a related party are unsecured.

The Company manages and controls credit risk by requiring deposits or prepayments on sales of vertical farming technology. As it relates to transactions with related parties, the Company adopted a new policy in fiscal 2019 that no funds would be advanced to related parties.



(iii) Currency risk

The Company is exposed to currency risk arising from exchange rate fluctuations against its reporting Canadian currency. Currency transaction risk is the impact of exchange rate fluctuations on the Company's consolidated statement of comprehensive loss, which is the effect of currency rates on expected future cash flows and investments.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5(i) Management of Capital Risk

The Company manages its cash and cash equivalents and shareholders' equity as capital (in the comparative year the Company managed shareholders' equity as capital). The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. This objective will be achieved by identifying the right agriculture projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held.

In order to maximize ongoing operating efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve. The Company is not subject to external capital requirements. There were no changes in the Company's approach to capital management during the period.



6. Subsequent Events

Effective May 31, 2020, the Company terminated its agreement with the University of Fraser Valley on the Biopod project. The Company originally entered into a two-year agreement in February 2019. The decision was made as the Company is shifting its focus into development of its own research and development facility.

7. Policies and Controls

7(a) Significant Accounting Policies and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The assessment of the ultimate collectability of due from related party.

Critical judgments

- Going Concern - Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.
- Provision for credit losses - Judgment is required as to the timing of establishing a provision for credit losses and the amount of the required provision, taking into consideration factors such as counterparty creditworthiness, the fair value of the underlying collateral, current economic trends and past experience.
- Fair value and useful life of intangible assets - The value of the intangible assets was determined based on the fair value of the consideration exchanged, which was based on the market price of the shares issued at the dates of issuance. Management judgementally used the maximum legal life of the patent as the useful life of the intangible assets for purposes of amortization.
- Impairment of intangible assets – The determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount.



Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required.

7(b) Changes in Internal Controls over Financial Reporting (“ICFR”)

Changes in Internal Control Over Financial Reporting (“ICFR”)

In connection with National Instrument 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Disclosure Controls and Procedures

The Company’s CEO and CFO are responsible for establishing and maintaining the Company’s disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company’s disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.



8. Information on the Board of Directors and Management

Directors:

Brian Whitlock

Alan Boyco

Randy Minhas

Rick Easthom

Audit Committee members:

Alan Boyco

Brian Whitlock

Rick Easthom

Management:

Randy Minhas – Chief Executive Officer

Randy Minhas, CPA, CA – Chief Financial Officer