AFFINOR GROWERS

AFFINOR GROWERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED AUGUST 31, 2021

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 November 1, 2021. This MD&A is intended to help the reader understand the consolidated financial statements of Affinor.

The following information should be read in conjunction with the condensed consolidated interim financial statements for the three months ended August 31, 2021 and the Company's audited consolidated financial statements for the year ended May 31, 2021 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the three months ended August 31, 2021. 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 a 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:

- Impairment of intangible assets;
- 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 income from production, licensing fees, royalties on production, and margin on the sale of the Company's patented technology.

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.

In addition to the vertical farming technology, the Company continued its work with Fundamental Lighting Solutions Corp. ("Fundamental Lighting") in development of LED cannabis lights. As of the date of this MD&A, the Company had completed three successful grow trials and is also in the process of assisting Fundamental Lighting in getting lighting certifications for the cannabis lights in Canada and in the US. The certifications are important to have in order to move to commercial sales of the cannabis lights.

AFFINOR GROWERS

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).

On March 8, 2018, the Company completed a non-brokered private placement by issuing 24,997,916 units at a price of $0.16 per unit for gross proceeds of $3,999,667, all of which was raised under the Consultant Exemption under National Instrument 45-106.

On November 26, 2018, the British Columbia Securities Commission (the “BCSC”) issued a Temporary Order and Notice of Hearing (the Order”) to respondents, including the Company, pursuant to Section 161 of the Securities Act (the “Act”) advising that a hearing would be held under Section 161(3) of the Act to determine whether to extend the Order under Section 161.

At a hearing on December 7, 2018, the Executive Director asked the BCSC to extend the Order, which was to expire on December 11, 2018, until a hearing was held and a decision rendered. The Order was extended at the completion of the hearing until a decision was issued on the application.

On January 15, 2019, the BCSC issued its decision with respect to the Order. With respect to the Company, it found the Executive Director had not provided *prima facie* evidence of having engaged in conduct contrary to the public interest and, accordingly, the temporary Order was not extended. It was also concluded that it is in the public interest to not proceed with the hearing until the BCSC investigation has concluded.

During the year ended May 31, 2021, the Notice of Hearing was amended to remove the Company as a respondent and there is no current proceeding against the Company. The Securities Commission could re-institute proceedings in the future.

In relation to the above-noted issue, the Company was served with a Notice of Civil Claim (the “Claim”) on July 11, 2019 with the Supreme Court of British Columbia by Michael Tietz and Duane Lowen under the Class Proceedings Act, RSBC 1996, c 50, naming the Company as a defendant along with 86 additional defendants. The claim relates to allegations of conspiracy, secondary market misrepresentations and fraudulent/negligent misrepresentations arising out of certain agreements entered into with consultants of the Company.

As at October 28, 2021, the class action proceeding is currently in abeyance pending the decision by the BC Supreme Court on whether to grant the Plaintiff's application for leave to bring the claim.

Included in the legal expenses for the year ending May 31, 2021, are legal defence costs in respect of the Claim in the amount of $360,714 (2020 - $6,645). The full amount of these legal costs are subject to Reservation of Rights coverage through insurance. As at November 1, 2021, the Company does not know definitively how much of the legal fees incurred may or may not be covered. The insurance policy provides for full legal cost recovery subject to certain exclusions. Accordingly, the insurers reserve their rights, based on final adjudication, to deny certain coverage including any costs of defence that relate to damages that are subject to exclusions and are not covered under the policy.

On August 10, 2020, the Company entered into a letter of intent ("LOI") with FOFIE. to negotiate a distribution agreement whereby FOFIE will distribute Affinor products, technologies and/or services to:

- Indigenous communities, governments, corporations and organizations;
- Canadian, provincial and municipal governments in partnership or with collaborative, service or protocol agreements with Indigenous communities;
- Corporations or industry organizations in partnership or with collaborative or protocol agreements with Indigenous communities; and
- The distribution of Affinor products would be limited to sales in regions currently not covered by Affinor's current licensing partners.

On January 21, 2021, the Company entered into an Industrial Lease (the "Lease") with the CEO of the Company, whereby the Company leased from the CEO the greenhouse and compost buildings and their equipment and fixtures (the "Premises") located on his property in Abbotsford, BC (collectively, the "Abbotsford Greenhouse"). The Lease has a 10-year term commencing on March 1, 2021 and ending on August 28, 2031. The Company paid a $5,000 security deposit and gross rent during the term is $81,000 per year, payable monthly. The Company has no obligation to pay or reimburse the CEO or anyone else for any costs or expenses of owning or operating the Abbotsford Greenhouse including, without limitation, realty taxes, insurance, alterations, repairs or maintenance. The Company is responsible for paying the costs of supplying utilities and services to the Premises and for operating, maintaining and repairing the Premises that are not supplied, or required to be made by, the CEO.

The CEO will provide and carry out, in accordance with the specified schedule, at the Company's expense, all equipment and work required to be provided in order to render the Premises complete and suitable to open for business (the "CEO's Work"). If the CEO is delayed in delivering possession of all or any portion of the Premises to the Company by the commencement date, the commencement date and the Company's obligation to pay rent will be postponed accordingly. The Company will provide and carry out, in accordance with the specified schedule, at its expense, all equipment and work other than the CEO's Work required to be provided in order to render the Premises complete and suitable to open for business (the "Company's Work"), with the design of the Premises being carried out by a qualified professional designer and engineers in accordance with the specified schedule. All leasehold improvements (excluding the Company's Work) immediately become the CEO's property without compensation to the Company. The Company is responsible for repairing any significant or substantial damage caused to the Property by the leasehold improvements or trade fixtures, personal property, partitions and equipment or its removal.

Provided that the Company's Work has been completed as specified, then in consideration of the Company performing its work, and paying for the CEO's Work, at its sole cost and expense, rent will not be payable by the Company until such time as the Company has recovered the entire cost of the Company's Work and the CEO's Work from the revenues generated by the sale of products grown and prepared at the Premise (the "Free Rent Period"). During the Free Rent Period, the Company must provide the CEO with monthly progress reporting (the "Free Rent Reports") on the status of its cost recovery with respect to expenses incurred in completing the Company's Work and the CEO's Work. If the Company fails to provide the CEO with the Free Rent Reports, rent immediately becomes payable to the CEO for the remainder of the balance of the term. If this occurs and provided that the Company has not recovered all or any portion of the costs with the CEO's Work, the CEO will immediately pay to the Company the outstanding balance of the CEO's Work not recovered by the Company at the time that rent becomes payable.

Provided that the Company is not in default, it has the option to extend the term of the Lease for an additional five years at a rent to be determined based on the fair market rent at the time of option exercise. If the Company continues to occupy the Premises on expiry of the initial term or the subsequent extension, it will be on a month-by-month basis and either party can terminate the Lease by giving one month's written notice to the other.

During the term of the Lease, including the option to renew, the CEO must not permit any conveyance, sale or transfer of his interest in the Property to a bona fide third party until he has first offered the Company the right to acquire his interest in the Property on the same terms and conditions as set out in the third party's offer.

During May 2021, the Lease was amended to correct an error in the original Lease. The original Lease stated that rent will not be payable by the Company until such time as the Company has recovered the entire cost of the Company's Work and the CEO's Work from the revenues generated by the sale of products grown and prepared at the Premise. The Lease Agreement was amended to replace the word "revenues" to "profit before EBITDA" on the production in the Abbotsford.

As well, during May 2021, Nick Brusatore, the CEO of the Company, agreed to repay the funds that had been loaned to VDL in May 2018. The debt balance of $220,000.00 will be added to the Free Rent Period computation on the Abbotsford Greenhouse. This amount had been previously written off as uncollectable as VDL was dissolved in early 2020.

As at August 31, 2021, the Company continued the CEO's Work and the Company's Work.

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 October 28, 2021 and wrote down certain assets as outlined the financial statements

5. Material Financial and Operations Information

5(a) Selected Annual Financial Information

Selected Annual Information

	Year Ended May 31, 2021	Year Ended May 31, 2020	Year Ended May 31, 2019
Total revenues	$ -	$ 53,550	$ 3,000
Loss before other items	(973,256)	(590,017)	(913,437)
Loss on investments	-	-	-
Impairment of property and equipment, receivables, deposits and loans	(45,434)	-	(1,490,407)
Loss for the year	(1,021,858)	(693,702)	(2,403,844)
Loss per share	(0.01)	(0.00)	(0.02)
Total assets	1,733,038	1,046,591	1,185,263
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			
	31-Aug-21	31-May-21	28-Feb-21	30-Nov-20
Total revenues	$ -	$ -	$ -	$ -
Net loss	$ (137,136)	$ (729,347)	($59,121)	$ (113,812)
Loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

	Three months ended			
	31-Aug-20	31-May-20	28-Feb-20	30-Nov-19
Total revenues	$ -	$ -	$ -	$ -
Net loss	$ (119,578)	$ (398,297)	$ (168,181)	$ (208,064)
Loss per share	$ (0.00)	$ 0.01	$ 0.01	$ (0.00)

5(c) Review of Operations and Financial Results

For three months ended August 31, 2021 and three months ended August 31, 2020

During the three months ended August 31, 2021, the Company reported a loss of $137,136 ($0.00 loss per share) (2020 – $119,578 ($0.00 loss per share)).

The Company's general and administrative expenses amounted to $120,325 during the three months ended August 31, 2021 (2020 – $89,192), an increase of of $31,133. The increase was related to spending on investor relations which has been discontinued.

The main items of change for the three months ended August 31, 2021, compared with August 29, 2020 were:

- Continued efforts in raising funds for the purpose of completing the greenhouse which resulted in investor relation costs in the amount of $76,274 (2020 - $6,592).
- Professional fees were higher $14,374 (2020 – $4,784)
- Management fees were offset by Consulting fees but there were no salary expenses in 2021 (2020 – 38,491).

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 consolidated 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

As of the date of this MD&A, the Company's share structure is as follows:

	Issued and Outstanding November 1, 2021	August 31, 2020
Common shares outstanding	211,033,620	165,652,669
Share options	7,500,000	5,600,000
Warrants	41,458,845	12,744,561
Fully diluted common shares outstanding	259,992,465	183,997,230

Share option transactions and the number of share options for the three months ended August 31, 2021 are summarized as follows:

Expiry date		Exercise price	May 31, 2021	Granted	Exercised	Expired/ cancelled	August 31, 2021
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	-
July 26, 2031		$ 0.04	-	6,500,000			6,500,000
August 11, 2031		$ 0.05		1,000,000			1,000,000
Options outstanding			1,700,000	7,500,000	-	5,600,000	7,500,000
Options exercisable			1,700,000	3,750,000	-	5,600,000	3,750,000
Weighted average exercise price			$ 0.04	$ 0.04	$ -	$ -	$ 0.04

** 1,700,000 options expired during the period. The options issued on July 26, 2021 and August 11, 2021 have a vesting period and only 50% of the options had vested at August 31, 2021.

The continuity of warrants for the six months ended August 31, 2021 is as follows
:

Expiry date		Exercise price	May 31, 2021	Issued	Exercised	Expired	August 31, 2021
August 21, 2022	**	$0.06	-	12,744,561	-	-	12,744,561
February 26, 2022		$0.05		28,714,284			28,714,284
Outstanding			2,000,000	41,458,845	-	(2,000,000)	41,458,845
Weighted average exercise price			$ 0.10	$ -	$ -	$ 0.10	$0.05

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:

	Period Ended	
	31-Aug-21	31-Aug-20
Consulting fees	$ 21,000	$ -
Management fees	-	15,000
Wages and employee benefits	-	38,386
Total	$ 21,000	$ 53,386

		Transactions for the Three Months ended		Balance due	
	Services	31-Aug-21	August 31, 2020	As at August 31, 2021	As at August 31, 2020
Aboriginal Import Export	Consulting and management fees	$ -	$ -	$ -	$ 40,000
Randy Minhas, Chief Financial Officer	Salaries and share-based payment	$ -	$ 37,500	$ -	$ 10,082
Softail Enterprises Inc.	Management fees	$ -	$ 15,000	$ 68,250	$ 52,500
Rick Easthom, Director	Management fees	$ 3,000	$ -	$ -	$ -
Ron Fraser, Chief Operating Officer	Management fees	$ -	$ -	$ -	$ -
Sarj Dhaliw al, Chief Financial Officer	Management fees	$ 18,000	$ -	$ -	$ -

- Aboriginal Import Export ("AIE") is a company controlled by Nicholas Brusatore. Mr. Brusatore was appointed as Chief Executive Officer ("CEO") effective December 1, 2020 and receives compensation of $1 per year. Mr. Brusatore was originally appointed CEO effective January 29, 2018, was compensated through AIE, resigned as CEO effective September 28, 2018 and remained as a consultant until September 28, 2019. During the year ended May 31, 2021, $40,000 recorded as consulting fees during the year ended May 31, 2020, and included in accounts payable as at May 31, 2020, were reversed.
- Ron Fraser was appointed Chief Operating Officer on December 8, 2020, resigned effective February 1, 2021 and received a monthly fee of $6,000.

- Sarj Dhaliwal was appointed Chief Financial Officer ("CFO") effective December 1, 2020 and receives a monthly fee of $6,000.
- Randy Minhas was appointed as CFO effective May 2, 2018, was appointed President and CEO on September 18, 2018 and resigned as President, CEO and CFO effective November 30, 2020. The balance owing to Mr. Minhas as at May 31, 2020 was for unpaid wages and reimbursable expenses.
- Rick Easthom is a director and the Chairman of the Board of Directors of the Company.
- Softail Enterprises Inc. is a company controlled by Brian Whitlock, a former director of the Company.
- Brian Whitlock resigned as a director on November 30, 2020.

5(h) Financial Instruments

The fair values of the Company's cash, receivables, due from related party (excluding GST), and accounts payables 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. The Company's debt bears interest at 15% per annum.

(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.

As at August 31, 2021 and May 31, 2020, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the convertible debenture payable.

As at August 31, 2021, the Company has financial assets of $1,680,863 to cover financial liabilities of $728,648. The ability of the Company to continue its activities relies upon the support of its suppliers and obtaining additional financing.

(iii) 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 related parties 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.

(iv) 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.

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:
Nick Brusatore
Alan Boyco
Rick Easthom

Audit Committee members:
Alan Boyco
Nick Brusatore
Rick Easthom

Management:
Nick Brustore, Chief Executive Officer
Sarj Dhaliwal, CPA, CA – Chief Financial Officer