Biosenta Inc.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2022 AND 2021

The following management discussion and analysis ("MD&A") of financial results is dated May 27, 2022 and reviews the business of Biosenta Inc. (the "Company" or "Biosenta"), for the three and six months ended March 31, 2022, and should be read in conjunction with the annual consolidated financial statements and related notes for the years ended September 30, 2021 and 2020. This MD&A and the accompanying condensed interim consolidated financial statements and related notes for the three and six months ended March 31, 2022 and 2021 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

This release may contain forward-looking statements information and statements which constitute "forward-looking information" under Canadian securities law and which may be material regarding, among other things, the Company's beliefs, plans, objectives, estimates, intentions, and expectations with respect to its operations, capital and funding plans. Inherent in the forward-looking information and statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that its assumptions may not be correct and that the Company's plans, objectives, and statements will not be achieved. Actual results or developments may differ materially from those contemplated by the forward-looking information and statements. Consequently, undue reliance should not be placed on such forward-looking statements. The forward-looking information and statements contained in this MD&A about prospective results of operations, financial position, business development, and operations are based on current assumptions of management. Forward-looking information and statements reflect the Company's views only as of the date of this MD&A.

A. Core Business Strategy and Company Highlights

Biosenta Inc. develops and manufactures a range of chemical compounds for household and industrial applications using advanced encapsulated nanotechnology. Other household disinfectants and cleaners possess similar levels of efficacy as traditional disinfectants. But Biosenta products contain significantly lower concentrations of active ingredients resulting in lower toxicity.

Biosenta disinfectants and cleaners kill 99.9% of mold, fungi, bacteria and viruses on contact and prevent re-growth and are very safe due to the very low toxicity.

Biosenta industrial compounds are embedded to protect various materials, including drywall, plastic and resins, from microbe formation. These compounds remain active for decades and protect the drywall of buildings, objects such as resin furniture, carpet rubber backing and synthetic tufts that contain plastic or resin, and textiles and paper from mold fungi, bacteria and viruses. Both the Biosenta household and industrial products are environmentally safe and biodegradable.

The Company is developing two business units within the anti-microbial industry. Products within these business units are targeted to address the demand created by the mounting health and environmental concerns with various microbes, including bacteria, viruses, and fungi, such as mold. Mold can affect the immune system, nervous system, liver, kidneys, blood and cause brain damage.

Under the Company's Industrial Division, the Company plans to manufacture and distribute an anti-microbial filler called "*Tri-Filler*." Calcium Carbonate is one of the most common fillers used industrially. It is susceptible like other fillers that hold moisture to attract mold. Annual global revenue in the calcium carbonate filler industry is likely to be more than 100 billion dollars. Biosenta will produce an anti-microbial filler that performs ''filling' and ''bulking' functions like calcium carbonate. Biosenta's *Tri-Filler* product prohibits mold infestation. Biosenta's filler with its anti-microbial high pH core in individual particles will enhance commercial product life and eradicate a broad spectrum of known bacteria, viruses, fungi, algae and other micro-organisms by suppression of their reproduction.

The Company had commissioned its production plant located in Parry Sound, Ontario, to produce the filler product. The plant was producing a test product for potential customers. However, commercial production did not start due to shortage of funds in the past. Currently Biosenta along with its joint venture partner are in a discussion to commission a new refined plant. Feasibility studies are in progress.

The Company has issued a wet product patent (disinfectant formulation comprising calcium hydroxide and sodium hypochlorite) in the United States of America and in Canada. The patent is pending approval in the European Union.

The Company has issued a dry product patent (method and apparatus for the preparation of calcium carbonate coated calcium hydroxide particles) in Canada, the United States of America, China, Israel, Saudi Arabia, European Union and Mexico.

Under the Company's Consumer Division, The Company has developed a second generation of the Zeromold™ product and has received regulatory approvals required for distribution in Canada and the United States. The Company has obtained licenses from the Federal Government of the United States and got approval from all state governments of the United States. The name of the second-generation product line is currently called *True* ™ in the United States. The Company has signed a licensing agreement with Kleen Bee Labs LLC to launch its product in the United States and Canada.

On June 23, 2020. The Company launched its disinfectant product called *True* ™ in Canada. Originally it was filed with the trademark "Erase" but received approval for a name change to *True* ™ to be consistent with the name of disinfectant previously launched in the USA. *True* ™ has been approved by Health Canada as clinically proven to kill many different types of Viruses, Bacteria and Fungi. It has also been added to the list of Disinfectants for the use against SARS-CoV-2 (COVID-19) on Health Canada website.

True ™ provides the disinfecting power sought after by healthcare providers and hospitals to ensure their patients have a clean and safe environment. The unique patented formula is proven effective to create safe environments inside offices, schools, industrial facilities and commercial areas when appropriately used on sealed wood, plastic, stone, concrete, tile, or other non-porous hard surfaces. *True* ™ provides consumers and businesses with anti-viral wet disinfecting solutions and products with low-toxicity and prolonged protection after application.

Company Highlights

The Company received EPA approval for the label in 2015 and all US state approvals during the year ended September 30, 2020. It is now in a position to launch this product. *True* ™ is unique as a disinfectant as it does not require a warning, caution, or danger label because it is not harmful to humans like most other competitor disinfectants.

On September 14, 2020, the Company finalized a strategic royalty bearing licensing partnership with Kleen Bee Labs, a corporation formed under the laws of California. This license will give the rights for distribution of DualXtiv, a broad-spectrum anti-microbial disinfectant to club level, mass grocery and retail chains across North America. The distributor will cover all costs associated with marketing, warehousing, transportation logistics and retail space fee. In consideration of rights granted to the Licensee, the Licensee will pay the Licensor a running royalty equivalent to no less than forty cents (US $0.40) per gallon of licensed product supplied by the Approved manufacturer to the Licensee plus Taxes. The Royalties will be adjusted for inflation on an annual basis.

After years of dedicated research in the anti-microbial space, on September 24, 2020, the Company entered into a four year research partnership with the University of Calgary Research Group and AMPAK Inc. from Toronto, Ontario. This partnership enables the University team to undertake a new generation of research in the world of nanoparticles for use as an anti-microbial filler in commercial construction materials and plastic consumer products and goods packaging.

The University of Calgary team has demonstrated expertise in this field, previously improving the tensile strength of concrete by 80%. The University of Calgary team has also improved the performance of drilling fluids and ceramic membranes using nanoparticle technology. AMPAK Inc. is proud to be the first Industry research partner to commit to the project. The scope of AMPAK's involvement includes plastic product development, research and development, and commercial consumer packaging.

The partnership's goal is to synthesize nanoscale core-shell particles and standardize the production process of Biosenta's patented two-part, food-grade nanoparticles called Tri-filler. Tri-filler not only has attributes of being anti-microbial, but also strength enhancement and fire-retardant capabilities. This innovation has the potential to revolutionize the antiviral properties of everyday surfaces such as clothes, paint, drywall, concrete, common surfaces and consumer packaging materials.

The project principal is actively looking to engage with businesses or commercial entities seeking to improve their products' and materials' anti-microbial properties. The impact on the community is measurable and two-fold. Firstly, there is an incredible opportunity for local organizations that currently use nanoparticles as fillers to get involved in development and testing activities as research partners.

Secondly, the University team has dedicated a significant portion of their efforts to measuring nanoparticles' impact on human health and their concentration levels within the body over time due to consistent exposure, even at minimal parts-per-million. The University team is implementing theories to safely integrate the nanoparticles within compounds to improve end-user safety and increase the filler's usability in multiple consumer applications. Preliminary results showed that inclusion of the particles into cement provides effective biocidal attributes. Further research will be conducted this summer on multiple construction surfaces such drywall, paint, plastic, glass carpet etc. Research funds from Biosenta are matched by Mitacs Accelerate funding that builds partnerships between academia, industry, and the world.

Biosenta is also in talks with additional industry partners in cement and paint to exploit the innovation and test Tri-Filler in their production processes in addition to AMAPK Inc. These are inspiring times for Biosenta.

The Company is showcasing and testing its TRUE product line with leading Health care providers, property management companies and educational institutions having presence across Canada and US. These companies have expressed their interest in TRUE products due to their high quality and efficacy in the fight against COVID -19 pandemic. Discussions and final negotiations have been initiated and are currently in progress.

B. Overall Performance

Intellectual Property

On June 7, 2011, the Company entered into an exclusive world-wide interim license agreement with a Director of the Company, with respect to certain intellectual property rights relating to a process for the manufacture of anti-microbial filler product. The Company amended and restated this agreement on October 3, 2011, at which time another individual became a party to the amended and restated agreement, and again on April 10, 2012, and May 1, 2012 (the "MM License Agreement"). According to this agreement, Biosenta was granted an assignable, transferable, perpetual, worldwide, exclusive license to use and exploit the patents pertaining to the "wet" and "dry" products (the "License"). In connection with the exercise of the right to acquire the License, and in accordance with the terms of the MM License Agreement, the Company issued fully paid and non-assessable Class A shares of the Company to the certain licensors valued at $1,606,500.

Disputes arose pertaining to the MM License Agreement and the License, and the Company initiated arbitration proceedings against the licensors. Following this dispute, the licensors filed patent applications for both wet and dry products. The Company and the licensors entered into a settlement agreement on June 13, 2014 (the "Settlement Agreement") pursuant to which all the actions between the parties were to be resolved.

Pursuant to the Settlement Agreement, in exchange for 10,500,000 Class A Shares of Biosenta, the licensors were to immediately irrevocably assign all patents, know-how and patent applications pertaining to the wet and dry products to Biosenta. Moreover, under the Settlement Agreement, all provisions of the MM License Agreement under which the Company was obligated to make payments to any of the licensors, including royalty payments, were void, and the parties acknowledged that no further payments were to be made in respect of the License. The Settlement Agreement provided that the rights to the patents relating to the wet and dry products would revert to the licensors, in the event certain events and actions failed to occur on or prior to December 31, 2015. Such events and actions did occur before December 31, 2015 and accordingly, the reversionary right was not triggered. Under the terms of the Settlement Agreement, Biosenta also made a one-time monetary payment to one of the licensors.

The Company incurred an impairment loss of $1,606,499 for the year ended September 30, 2018 as the management decided to impair the intangible asset value to $1 from $1,606,500. The impairment loss arising as a result of this, was reported on the Statement of Operations and Comprehensive Income (loss) for the year ended September 30, 2018. The main reason for the impairment was the conservative approach towards the uncertainty of the corresponding future cash flows and to address specific requirements of the IFRS.

Industrial Division: *Tri-Filler*

On February 28, 2018, the Company announced signing a five year Joint Venture (JV) agreement with investors to develop, market, and grow the sales of its dry product *Tri-Filler*. The JV is based in Parry Sound, Ontario and is 51% owned by the investors and 49% owned by Biosenta. The investors will contribute funds to operate the JV and provide expertise to launch *Tri-Filler* and in return, Biosenta will license the intellectual property that pertains to *Tri-Filler*. Initially, the investors are to receive 60% of operating profits until the amounts already invested by the investors have been repaid. After the amounts already invested by the investors have been repaid, the operating profits will be split 51% to the investors and 49% to Biosenta. The secured loan was settled through the issue of 1,666,666 shares in the Company which is approximately 11.9% of the total outstanding shares.

On September 24, 2020, the Company entered into a four year research partnership with the University of Calgary Research Group and AMPAK Inc. from Toronto, Ontario. The goal of the partnership is to standardize the production process of the Company's patented two-part, food-grade nanoparticles called Tri-filler which not only has the attributes of being anti-microbial, but also strength enhancement and fire-retardant capabilities.

Consumer Division - Anti-Microbial Retail Product Line

Biosenta's household disinfectants and cleaners possess similar levels of efficacy as traditional disinfectants with significantly lower concentrations of active ingredients resulting in lower toxicity. These disinfectants and cleaners will kill 99.99% of potentially deadly mold, fungi, bacteria, and viruses on contact and prevent re-growth. The disinfectants are very safe due to the very low toxicity. The Company developed its first retail product line of anti-mold product called Zeromold™ and made its first shipments in Canada starting in October 2012. Despite several attempts by the Company to increase sales of this product line, production has been temporarily closed because of limited working capital. The Company has also prioritized launching TRUE ™ in the USA as its more powerful than Zeromold™ and because the USA is a larger market.

On September 14, 2020, the Company finalized a strategic royalty bearing licensing partnership with Kleen Bee Labs, a corporation formed under the laws of California. This license will give the rights for distribution of DualXtiv, a broadspectrum anti-microbial disinfectant to club level, mass grocery and retail chains across North America. The distributor will cover all costs associated with marketing, warehousing, transportation logistics, and retail space fee. In consideration of rights granted to the Licensee, the Licensee will pay the Licensor a running royalty equivalent to no less than forty cents (US $0.40) per gallon of Licensed product supplied by the Approved manufacturer to the Licensee plus Taxes. The Royalties will be adjusted for inflation on an annual basis.

On November 18, 2020, the Company entered into an supply agreement with Sanitization 360 Inc (a corporation incorporated under the laws of the Province of Quebec) to supply its proprietary line of disinfectant products marketed under the TRUE ™ brand for a period of one year to hotels and resorts across North America and subject to auto renewal for a further period of one year.

On December 21, 2020 Biosenta's U.S. licensing partner Kleen Bee Labs, LLC secured licensing rights in Ralphs and Food 4 Less retailers, which are divisions of Kroger Corp. Kroger Corp is one of the largest retailers in the US with approx. 2,400 stores. Kleen Bee Labs long term goal is to distribute in over 10,000 stores across the United States. Kleen Bee Labs' previously announced deal will ensure Biosenta's patented formulation will continue to expand and be sold at scale across North America.

The distributor will cover all costs associated with marketing, warehousing, transportation logistics, and retail space fees. Biosenta has received its first royalty payment from Kleen Bee Labs in December 2020.

On January 26, 2021, Biosenta realized its first purchase order and payment from the supply and purchase agreement with SANITIZATION 360. The Purchase Order is for an initial order of 145 drums (30,160 Litres) of TRUE disinfectant and continued monthly orders. This marks a milestone for Biosenta of achieving record revenues as it continues to implement its strategic plan to position the company to be a leader in the growing disinfectant market in North America. The agreement with SANITIZATION 360 is a perfect fit for Biosenta's growth plans and aligns itself with a company that sells leading edge disinfectants products.

C. Results of Operations

This analysis of the results of the Company's operations should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the three and six months ended March 31, 2022 and 2021.

True ™ - Revenues and Cost of Sales

The Company's net revenues for the three and six months ended March 31, 2022 were $Nil (March 31, 2021: $136,246 and $166,724) respectively. The company has also received royalty fee of $Nil during the three months and six ended March 31, 2022 (March 31, 2021: $3,652 and $16,607) respectively from sale of its True ™ products.

The Company temporarily closed the production of Zeromold™ and is currently focussing on growing its market share and promote its *True* ™ product in USA and Canada.

Administrative Expenses

During the three and six months ended March 31, 2022, administrative costs decreased by $251,083 and $278,794 respectively when compared to the three and six months ended March 31, 2021 due to the following factors:

1. Salaries, management, and consulting fees decreased to $143,542 and $292,922 during the three and six months ended March 31, 2022 respectively from $227,115 and $436,312 during the three and six months ended March 31, 2021. The decrease is primarily attributable to reduction in consultancy fees during the period. The Company has continued its policy to not pay its management personnel.

2. Professional fees decreased during the three months to $27,328 and increased to $130,354 during the six months ended months ended March 31, 2022 respectively from $74,458 and $124,784 during the three and six months ended March 31, 2021 respectively. The increase during the six months is attributable to professional fees for *Tri-filler*™ product development and patent protection;

3. The Company incurred no share based consultancy fee and incurred share based compensation expense on vested stock options issued to its directors and employees under the stock option plan amounting to $35,055 and $81,806 during the three and six months ended March 31, 2022. During the three and six months ended March 31, 2021, the Company incurred share based consultancy fee amounting to $71,000 and $101,000 respectively and share based compensation

expense on vested stock options issued to its directors and employees under the stock options plan amounting to $138,898.

4. Product development costs include the laboratory testing and related professional fees for *True*^{TM} and testing of *Tri-filler*^{TM} product lines. The product development cost during the three and six months ended March 31, 2022 was $61,339 when compared to $4,535 and $42,025 incurred during the three and six months ended March 31, 2021 respectively.

5. During the three and six months ended March 31, 2022 , the Company issued 3,625,315 common shares and 1,812,658 warrants under private placement to settle its liabilities against promissory notes, loans and accrued expenses and recognized a loss of $1,848,118 in its condensed interim consolidated statement of operations for the three and six months ended March 31, 2022.Refer Note 14 of the condensed interim consolidated financial statements of the Company for the three and six months ended March 31, 2022 and for full disclosure and valuation methodology applied to fair value common shares and warrants issued to settle liabilities of $1,015,088.

Management Compensation:

The board of the Company is responsible for setting the annual salary, bonus and other benefits, direct and indirect of the CEO and other Named Executive Officers (NEO) of the Company. The compensation plan of the NEOs' is intended to establish an objective connection between the NEOs' compensation and the Company's financial and business performance. The compensation of the NEOs consists of three essential elements that are intended to provide executives, in totality, a balanced compensation package, which includes of: (i) cash (discretionary basic salary) (ii) annual performance bonus and incentive stock options (long term incentive compensation). As the Company is in the growth and development stage of its business, the Company did not pay any bonuses to NEOs in the most recently completed financial year. Options granted under Company's stock option plan are approved by the Board. During the three and six months ended March 31, 2022, issued 1,689,157 common shares and 844,579 warrants to the President and CEO of the Company to settle outstanding compensation of $472,964. Refer Note14 of the condensed interim consolidated financial statements for the three and six months ended March 31, 2022 and 2021.

D. Liquidity and Capital Resources

On March 31, 2022, the Company had cash of $115,384 compared to $111,881 on September 30, 2021, and a working capital deficit of $2,286,755 as at March 31, 2022, compared to a working capital deficit of $2,533,824 at September 30, 2021.

Issued and outstanding: Class Shares	**Number of Shares**
Balance, September 30, 2018	**14,062,663**
Balance, September 30, 2019	**14,062,663**
Balance, September 30, 2020	**17,341,738**
Balance, September 30, 2021	**19,381,276**
Balance, December 31, 2021	**19,381,276**
Balance, March 31, 2022	**23,006,591**

Please refer to note 14 and 15 of the condensed interim consolidated financial statements for the three and six months ended March 31, 2022 and 2021 for additional information on warrants and stock options.

On February 28, 2018, the Company announced that it had signed the five-year JV agreement with certain secured creditors to promote, advertise, market and grow the sales of its dry product Tri-filler. The entity is based in Parry Sound, Ontario and its 51% owned by the creditors and 49% owned by the Company. The investors will contribute funds to operate the JV. Contributions will be determined after a formal business plan has been completed. The investors will continue funding Biosenta's on-going operating costs, provide expertise to launch *Tri-Filler*, and in return Biosenta will license global rights to the intellectual property that pertains to *Tri-Filler* with no additional funding required by Biosenta. The investors will receive 60% of operating profits until the amounts invested by the investors in the JV have been repaid.

After the amounts already invested by the investors have been repaid, the operating profits will be split 51% to the investors and 49% to Biosenta.

The investors make monthly advances to the Company of $20,000, until the entity is able to distribute profits. These advances shall be repaid to the investors, once the Company's share of profits exceeds $20,000 per month. As at March 31, 2022, the advances received from investors was $1,317,159.

During the period ended March 31, 2022, the Company agreed to pay interest at the rate of 8% per annum compounded from the date of advancement of funds by the investors, to finance the day to day operations of the Company. Accordingly interest charges amounting to $211,409 (March 31, 2021: $Nil) have been recorded in the condensed interim consolidated statements of operations and comprehensive loss for the three and six months ended March 31, 2022. Interest charges amounting to $210,897 have been settled during the period by issuance of 753,207 common shares and 376,604 warrants of the Company. Refer Note 14 of the condensed interim consolidated financial statements for the three and six months ended March 31, 2022 and 2021.

E. Related Party transactions:

The Company currently has certain loans outstanding, having a total value of $6,458 at March 31, 2022 which were provided by various related parties. These loans were provided to assist with operational and administrative costs. The loans were made to the Company on various dates and are unsecured, non-interest bearing with no fixed terms of payment.

During the period ended March 31, 2022, the Company received loans of $206,000 from various creditors and settled $230,088 of the outstanding loans and accrued interest thereon, by issuance of 821,741 common shares and 410,871 warrants of the Company.

On January 28, 2021, the Company issued promissory notes for gross proceeds of $85,000 to various investors including the President and CEO of the Company with an invested amount of $25,000. These notes are unsecured, carry interest at the rate of Prime rate plus 5% and are fully due and repayable on demand. The interest accrued on promissory notes for the period ended March 31, 2022 is $2,041 (March 31, 2021: $1,058).

In March 2022, the Company issued 135,180 common shares and 67,590 warrants to settle $37,850 of principal and accrued interest on promissory notes. The Company also issued 96,557 common shares and 48,278 warrants to the President and CEO of the Company to settle the promissory note with accrued interest thereon.

During the period ended March 31, 2022, the Company obtained a loan of $150,000 from a related party which is unsecured with an interest rate of 10% and no fixed terms of repayment. The Company also obtained a loan of $56,000 from the President and CEO of the Company which is unsecured and interest free. The Company settled these loans by issuing 821,741 common shares and 410,871 warrants.

The Company also issued 1,689,157 common shares and 844,579 warrants to the President and CEO of the Company to settle outstanding compensation of $472,964.

Refer Note 14 of the condensed interim consolidated financial statements for the three and six months ended March 31, 2022 and 2021.

F. Quarterly Information

Selected quarterly information for the last fourteen completed quarters is presented below in Canadian currency ($), and accordance with International Financial Reporting Standards ("**IFRS**").

	2022		2021				2020				2019			
	Q2 $000's	Q1 $000's	Q4 $000's	Q3 $000's	Q2 $000's	Q1 $000's	Q4 $000's	Q3 $000's	Q2 $000's	Q1 $000's	Q4 $000's	Q3 $000's	Q2 $000's	Q1 $000's
Net gross margin/fees	-	-	1	-	79	19	-	-	-	-	-	-	-	-
Administrative Expenses	(301)	(335)	(320)	(884)	(552)	(363)	(268)	(115)	(165)	(180)	(158)	(118)	(157)	(80)
Other income / (expenses)	(1,849)	(213)	(12)	(4)	(6)	-	65	2	(98)	(2)	1	(2)	(10)	(6)
Income / (loss)	(2,150)	(548)	(331)	(888)	(479)	(344)	(203)	(113)	(264)	(182)	(157)	(120)	(167)	(86)
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Income / (loss) per share	(0.11)	(0.03)	(0.01)	(0.05)	(0.03)	(0.02)	(0.01)	(0.01)	(0.02)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)

G. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at March 31, 2022.

H. Financial Instruments

The Company has not entered into any specialized financial arrangements to minimize its investment risk, currency risk or commodity risk.

I. Business Risks and Financial Risks

Business Risk Factors

The Company's strategy emphasizes developing product lines to leverage its investment in licenses and drive the creation of shareholder value. This strategy has required and continues to require significant financings. Due to the nature of the Company's business, the present stage of development of its product lines, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company. The risk factors identified below are not an exhaustive list of the factors that may affect the Company, its operations or any forward-looking statements contained herein.

Need for Additional Financing

The Company currently has no material and significant source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further development of its current or future product lines, or to fulfill its obligations to its existing creditors.

Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future or on terms acceptable to the Company. The failure to secure additional funding could force the Company to liquidate its assets to satisfy creditor claims. To meet the working capital requirement, the Company arranges the five-year JV agreement with investors to develop, market, and grow the sales of its dry product Tri-Filler. The investors will contribute funds to operate the JV and provide expertise to launch Tri-Filler. Besides, the Company is planning to issue new shares to meet the working capital requirement.

Production Revenues

There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. In particular, the Company's operating expenses and capital expenditures are likely to increase significantly in subsequent periods due to expenditures incurred in hiring consultants, personnel, and equipment associated with developing its products and for commercial production.

The Company expects to continue to incur losses until its product lines enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any significant revenues or achieve profitability.

Conflicts of Interest

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in which they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. If such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Under the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Litigation

From time to time, the Company may be named as a defendant in legal actions or may commence legal actions against other parties arising in the course of business. To the extent that management's assessment of the Company's exposure in respect of such matters is incorrect or changes, including as a result of any determinations made the courts or other finders' of fact, the Company's exposure could exceed management's current expectations, which could have a material adverse effect on its business, financial conditions and results of operations or the ability to continue to carry on business.

J. Other MD&A Requirements

Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.