

BIOSENTA

Biosenta Inc.

**Management's Discussion & Analysis
For the year ended September 30, 2023 and 2022**

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022

The following management discussion and analysis (“MD&A”) of financial results is dated January 29, 2024 and reviews the business of Biosenta Inc. (the “Company” or “Biosenta”), for the year ended September 30, 2023, and should be read in conjunction with the annual consolidated financial statements and related notes for the year ended September 30, 2023 and 2022. This MD&A and the accompanying consolidated financial statements and related notes for the year ended September 30, 2023 and 2022 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. is a pioneer in developing, producing, and manufacturing an array of chemical compounds for household and industrial applications, utilizing advanced encapsulated nanotechnology. Our products offer comparable efficacy to conventional disinfectants, but with a notable difference — they contain significantly reduced concentrations of active ingredients resulting in lower toxicity.

Biosenta disinfectant and cleaning solutions eliminate 99.9% of common pathogens — including molds, fungi, bacteria, and viruses — upon contact, while also preventing future re-infestation. With an enhanced safety profile due to our low toxicity, our products are tailed for household use. .

On the industrial front, Biosenta’s compounds are embedded into various materials, such as cement, drywall, paint, plastics, and resins, to ward off microbial growth. With efficacy that spans decades, these compounds safeguard drywall, resin-based furniture, carpet rubber backing, synthetic tufts, textiles, and paper from contamination by molds, fungi, bacteria, and viruses. All of our household and industrial products are eco-friendly and biodegradable.

Biosenta is currently branching into two core business units within the anti-microbial industry. Our aim is to meet the growing demand catalyzed by rising health and environmental apprehensions concerning various microbes, including bacteria, viruses, and fungi, such as mold. Mold exposure can lead to serious health consequences, affecting the immune and nervous systems, liver, kidneys, blood, and potentially cause brain damage.

Under our Industrial Division, we have ambitious plans to manufacture and distribute an antimicrobial filler named “Tri-Filler.” As an industry standard, Calcium Carbonate is a common filler susceptible to mold when retaining moisture. By introducing Tri-Filler, we aim to revolutionize the industry which is estimated to be \$58.5 billion in global revenue.

This innovative product performs essential 'filling' and 'bulking' akin to Calcium Carbonate, but by adding resistance to mold. With anti-microbial, fire-retardant, and strength-enhancing properties, Tri-Filler's high pH core promises extended commercial product life and broad-spectrum eradications of microorganisms (bacteria, viruses, fungi, algae, etc.) by suppressing of their reproduction.

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

Under Biosenta's Consumer Division, we have successfully developed a second generation of the Zeromold™ product, securing all necessary regulatory approvals for distribution in Canada and the United States. This product, named *True*™ in the United States market, has been fully licensed by the Federal Government of the United States and approved by all state governments.

Biosenta has also secured a wet product patent (a disinfectant formulation comprising calcium hydroxide and sodium hypochlorite) in the United States of America, Canada, and the European Union.

On June 23, 2020 we debuted our disinfectant product called *True*™. The disinfectant is clinically proven to eliminate a variety of viruses, bacteria, and fungi, has been recognized by Health Canada and added to its list of approved disinfectants for the use against SARS-CoV-2 (COVID-19).

True™ delivers high-level disinfection sought after by healthcare providers and hospitals, ensuring patients are treated in clean and safe environments. The unique patented formula is proven to effectively create safe environments in offices, schools, industrial and commercial facilities when used appropriately on various applications including sealed wood, plastic, stone, concrete, tile, and other non-porous hard surfaces. *True*™ offers long-lasting protection post-application, marking a milestone in our commitment to public health and safety.

Significant Events

The Company received EPA approval for the label in 2015 and all US state approvals during the year ended September 30, 2020. Compared to other competitors in the disinfectant industry, *True*™ is a unique disinfectant as it does not require a warning, caution, or danger label, underlining its safety profile for human use. The *True*™ disinfectant product is market ready and poised for commercialization.

On September 14, 2020, the Company finalized a strategic licensing partnership with California-based Kleen Bee Labs, enabling distribution of DualXtiv, a broad-spectrum antimicrobial disinfectant to club level, mass grocery and retail chains across North America. Kleen Bee Labs will agreed to handle all costs associated with marketing, warehousing, transportation logistics, and retail space fee. However, this agreement was later terminated in July 2022, as Biosenta shifted focus towards the Canadian market. The agreement had specified that Kleen Bee Labs was to pay Biosenta a running royalty of no less than US \$0.40 per gallon of the licensed product, adjusted for inflation annually.

On September 24, 2020, following years of focused research in the antimicrobial space, Biosenta 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 antimicrobial filler in commercial construction materials, plastic consumer products, and goods packaging.

The University of Calgary team has an impressive track record, having previously increased concrete's tensile strength by 80%. They have also enhanced the performance of drilling fluids and ceramic membranes using nanoparticle technology. AMPAK Inc. as the first industry research partner, will contribute to plastic product development, research and development, and consumer packaging.

The partnership aims to standardize the production process of Biosenta's patented food-grade nanoparticles, Tri-filler, which demonstrates anti-microbial, strength-enhancing, and fire-retardant capabilities. This product holds immense potential to transform the anti-viral properties of everyday surfaces, ranging from clothing and paint to drywall and packaging materials.

The project is actively seeking partnerships with businesses interested in enhancing their products' and materials' anti-microbial properties. Concurrently, the University team is conducting extensive research into the effects of nanoparticle exposure on human health. Early findings indicate that the inclusion of these particles in cement results in effective biocidal attributes. Further research is slated for Summer 2023 across multiple consultation surfaces like 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.

In conjunction with research efforts, Biosenta is engaging in discussions with additional industry partners in cement and paint sectors to explore the potential of Tri-Filler in their production processes. Licensing agreements for all major categories including concrete, drywall, paint, plastics, and paper, are being considered.

On October 5, 2022, Biosenta signed a Memorandum of Understanding with Voran Group Ventures Ltd, anticipated to facilitate the commercialization of Biosenta's Tri-Filler antimicrobial products in Canadian and global markets. On May 31, 2023, negotiations with Voran Group Ventures Ltd. were discontinued.

Further, Biosenta announced the termination of its joint venture agreement with 19443391 Ontario Inc., reflecting feedback from potential partners and advisors suggesting that the agreement was a barrier to commercialization and capital raising. On July 17, 2023, Biosenta completed its agreement to terminate the existing Joint Venture Agreement with 19443391 Ontario Inc.

Consequent to the joint venture termination agreement, Biosenta issued to 19443391 Ontario Inc., (i) 3,000,000 common shares in the capital of Biosenta ("**Common Shares**") at an aggregate subscription price equal to \$1,200,000, being \$0.40 per share, and (ii) a non-transferrable promissory note in the principal amount of \$6,500,000 (the "**Note**"). More information regarding the terms of the JV Agreement termination, please refer to the official document available on SEDAR.

As a result of the termination of joint venture and settlement of all debts owing to 19443391 Ontario Inc., the Company recognized a loss on settlement of \$6,051,389 recorded in the consolidated statements of loss and comprehensive loss during the year ended September 30, 2023.

B. Overall Performance

Intellectual Property

Biosenta 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.

Biosenta has issued a wet product patent (disinfectant formulation comprising calcium hydroxide and sodium hypochlorite) in the United States of America, Canada, and the European Union.

Industrial Division: *Tri-Filler*

In 2018, Biosenta entered a five year Joint Venture (JV) agreement to develop, market, and grow the sales of *Tri-Filler*. After fulfilling the JV terms, Biosenta announced the termination of the agreement on June 23, 2023, opening up opportunities for licensing its technologies to other industry partners and discussing future financing options.

On September 24, 2020, Biosenta partnered with the University of Calgary Research Group and AMPAK Inc. to standardize the production process of Tri-filler. Despite ending negotiations for commercializing Tri-Filler with Voran Group Ventures Ltd, Biosenta is currently exploring discussions with potential industry partners in the paint, drywall, and concrete industries.

The Company signed a milestone Memorandum of Understanding on October 5, 2022, with Voran Group Ventures Ltd intended to lead the way for the commercialization of Biosenta's Tri-Filler antimicrobial products in Canadian markets and worldwide. Biosenta and Voran Group Ventures Ltd. since then have agreed to cease negotiation for the commercialization of Biosenta's Tri-Filler antimicrobial product as they pursue discussions with other commercialization opportunities

Biosenta has commissioned a bench-scale manufacturing plant for the purpose of producing the Tri-Filler antimicrobial product. The idea of a "bench-scale" is in reference to the size of the equipment and production capacity, and is used for research, development, and small-scale production for the products. Once the Tri-Filler product process has been thoroughly tested and optimized at the bench-scale level, it can then further be scaled up to pilot-scale and, eventually to full-scale production for commercial purposes.

Joint Venture Agreement

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. At the time of termination of joint venture agreement, the advances received from investors was \$1,805,572 (September 30, 2022: \$1,531,950).

In December 2021, 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 \$26,296 have been recorded in the consolidated statements of operations and comprehensive loss for the year ended September 30, 2023.

Biosenta announced and finalized the termination of the existing Joint Venture agreement with 19442291 Ontario Inc. on July 17, 2023. As a result of this termination, Biosenta issued 19443391 Ontario Inc. with (i) 3,000,000 common shares, each priced at \$0.40, totaling \$1,200,000, and (ii) a non-transferable promissory note worth \$6,500,000 (the "Note"). Biosenta now owns the full patent rights to the dry product patent.

As a result of the termination of joint venture and settlement of all debts owing to 19443391 Ontario Inc., the Company recognized a loss on settlement of liabilities and termination of joint venture of \$6,051,389 and accretion of interest of \$104,040 offset by the difference of \$1,368,592 between the principal amount of \$6,500,000 and fair value of \$5,131,408 of the promissory note. The promissory note, at the time of issue, was fair valued at \$5,131,408 using present value technique, by discounting the contractual cash flows using market interest rate of companies with similar credit risk. The effective interest applied to determine the discounted cash flows of the promissory note was 19.07%. The effective interest will be accreted to the promissory note as well as charged to the consolidated statement of operations and comprehensive loss over the period from date of issuance of the promissory note to its the maturity on December 31, 2025. Please refer to Note 11 and 16 of the consolidated financial statements for the year ended September , 30, 2023 and 2022.

Consumer Division : *True*TM Disinfectant

Biosenta's household disinfectants and cleaners eliminate 99.99% of potentially deadly pathogens with significantly lower concentrations of active ingredients, leading to lower toxicity. However, due to limited working capital, the production of the Mold Erase product line has temporarily closed. The company's current focus is on the Tri-filler product, it plans to invest in marketing its *True*TM disinfectant technology in the future.

C. Overall Performance

Selected Financial Performance

	September 30, 2023	September 30, 2022
(Expressed in Canadian Dollars)	\$	\$
Cash and cash equivalents	5,883	27,263
Other current assets	86,149	234,734
Non-current assets	15,560	1
Total assets	107,592	261,998
Current liabilities	2,667,915	3,126,639
Non-current liabilities	5,295,448	60,000
Total liabilities	7,963,363	3,186,639
Shareholders' deficit	(7,855,771)	(2,924,641)
Total liabilities and Shareholders' deficit	107,592	261,998

Cash and cash equivalents decreased by \$21,380 during the year ended September 30, 2023 when compared to September 30, 2022 as cash used in operating activities of \$550,788 and purchase of equipment of \$15,559 was more than cash provided by financing activities of \$544,967 through loans and joint venture advances.

Current liabilities decreased by \$458,724 during the year ended September 30, 2023 when compared to September 30, 2022 due to settlement of joint venture advances of \$1,531,950 offset by an increase in accounts payable of \$784,555 and loans and promissory notes payable of \$288,671. Increase in accounts payable mainly relate to the costs associated with development of Tri-filler and increase in loans and advances is due to meeting operational cash flow requirements.

Non-current liabilities increased by \$5,235,448 due to the issuance of promissory note payable on termination of the joint venture agreement. Refer Note 11 to the consolidated financial statements for the year ended September 30, 2023.

Results of Operations

This analysis of the Company's operating results should be read along with the accompanying consolidated financial statements and related notes for the year ended September 30, 2023 and 2022.

(Expressed in Canadian Dollars)	Year ended September 30, 2023 \$	Year ended September 30, 2022 \$
Sales	1,042	1,151
Cost of goods sold	615	423
Gross Profit	427	728
Total expenses	1,510,389	1,209,024
Other (income) expenses	4,789,792	249,965
Income tax	—	—
Net loss and comprehensive loss	(6,299,754)	(1,458,261)
Basic and diluted loss per share	(0.24)	(0.07)

*True*TM - Revenues and Cost of Sales

The Company's net revenue for the year ended September 30, 2023 was \$1,042 (2022: \$1,151).

Administrative Expenses

During the year ended September 30, 2023, administrative expenses increased by \$301,365 when compared to the year ended September 30, 2022 due to the following factors:

1. Salaries, management, and consulting fees increased by \$43,867 during the year ended September 30, 2023 when compared with the year ended September 30, 2022. The increase is primarily attributable to consultancy fees during the period. The Company has continued its policy to not pay its management personnel.
2. Professional fees increased by \$241,046 during the year ended September 30, 2023 when compared to the year ended September 30, 2022. The increase is attributable to professional fees for *Tri-filler*TM product development and patent protection.
3. The Company incurred share based compensation expense on vested stock options issued to its directors and employees under the stock option plan amounting to \$25,374 and issuance of common shares as compensation for past services amounting to \$143,250 during the year ended September 30, 2023 respectively. During the year ended September 30, 2022, the Company incurred share based compensation expense on vested stock options issued to its directors and employees under the stock options plan amounting to \$112,355.

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 year ended September 30, 2023 was \$66,685 when compared to \$103,052 incurred during the year ended September 30, 2022.

Other (income) expenses

During the year ended September 30, 2023, the Company incurred other expenses of \$4,789,792 (September 30, 2022: \$249,965). The major portion of these expenses relate to the loss on settlement of liabilities of \$6,051,389 and accretion of interest on the promissory note of \$104,040 offset by the difference of \$1,368,592 between the principal amount of \$6,500,000 and fair value of \$5,131,408 of the promissory note. The promissory note, at the time of issue, was fair valued at \$5,131,408 using present value technique, by discounting the contractual cash flows using market interest rate of companies with similar credit risk. The effective interest applied to determine the discounted cash flows of the promissory note was 19.07%. The effective interest will be accreted to the promissory note as well as charged to the consolidated statement of operations and comprehensive loss over the period from date of issuance of the promissory note to its maturity on December 31, 2025. Please refer to Note 11 and 16 of the consolidated financial statements for the year ended September , 30, 2023 and 2022.

During the year ended September 30, 2023, the Company received a government grant of \$63,488 (September 30, 2022:\$11,512) which is recorded as income in the consolidated statements of loss and comprehensive loss for the year ended September 30, 2023. The grant was under a Contribution Agreement from the Industrial Research Assistance Program (IRAP) offered by the National Research Council of Canada (NRC) providing a contribution up to a maximum of \$75,000 for costs incurred by the Company during the project. The project is construction of a pilot scale unit for the production of uniform core-shell calcium hydroxide calcium carbonate biocidal particles. Under the contribution agreement, NRC reimbursed the Company for costs incurred related to the project. The contribution agreement terminates five years after the project completion date.

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.

D. Liquidity and Capital Resources

Liquidity

	As at September 30, 2023	As at September 30, 2022
(Expressed in Canadian Dollars)	\$	\$
Cash and cash equivalents	5,883	27,263
Current assets	92,032	261,997
Current liabilities	2,667,915	3,126,639
Working capital deficit	(2,575,883)	(2,864,642)

On September 30, 2023, the Company had cash of \$5,883 compared to \$27,263 on September 30, 2022, and a working capital deficit of \$2,575,883 as at September 30, 2023, compared to a working capital deficit of \$2,864,642 at September 30, 2022.

Going Concern

During the year ended September 30, 2023, the Company reported net loss of \$6,299,754 and a working capital deficit of \$2,575,883.

The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its intellectual property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which represents material uncertainties, cast significant doubt over the ability of the Company to continue as a going concern. The condensed interim consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses and the related classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management, but could be material.

The Company funded its operations for the year ended September 30, 2023 from existing cash and advances from joint venture. The Company may not have sufficient cash reserves to fund its product development programs, administrative costs and other obligations for the coming fiscal year. Management is actively involved in developing and bringing their products to market, as well as seeking new debt and equity financing to enable it to service the Company's liabilities and its ongoing administrative costs. Management believes the Company will continue as a going concern due to the Company's ability to obtain funding through the issuance of debt and equity instruments.

Issued and outstanding: Class Shares	Number of Shares
Balance, September 30, 2020	17,341,738
Balance, September 30, 2021	19,381,276
Balance, September 30, 2022	23,006,591
Balance, September 30, 2023	26,406,591

Please refer to note 16,17 and 18 of the consolidated financial statements for the year ended September , 30, 2023 and 2022 for additional information on common shares, warrants and stock options.

Cash Flow Information

The following table provides an overview of the Company's cash flows for the current and comparable period ended:

(Expressed in Canadian Dollars)	September 30, 2023 \$	September 30, 2022 \$
Cash used in operating activities	(550,788)	(504,433)
Cash used in investing activities	(15,559)	—
Cash provided by financing activities	544,967	419,815
Net decrease in cash	(21,380)	(84,618)
Cash, beginning of period	27,263	111,881
Cash, end of period	5,883	27,263

Operating Activities

The Company used \$550,788 of cash in operating activities during the year ended September 30, 2023, compared to \$504,433 used during the corresponding previous period. The Company used more cash in operations due to the development of tri-filler product.

Financing Activities

The Company generated \$544,967 through financing activities during the year ended September 30, 2023, compared to \$419,815 provided during the year ended September 30, 2022. This was primarily due to cash received from loans and Joint venture advances.

E. Related Party transactions:

The Company currently has certain loans and promissory notes outstanding, having a total value of \$292,223 and \$31,214 respectively as at September 30, 2023 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 with no fixed terms of payment and carry interest at the rate of 10% per annum. The promissory notes are unsecured, carry interest at the rate of Prime rate plus 5% and repayable on demand. Please refer to Note 12 of the consolidated financial statements for the year ended September 30, 2023.

F. Quarterly Information

Selected quarterly information for the last thirteen completed quarters is presented below in Canadian currency (\$), and accordance with International Financial Reporting Standards (“IFRS”).

	2023				2022				2021			
	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	-	-	1	-	-	-	1	-	79	19
Administrative Expenses	(414)	(496)	(346)	(254)	(297)	(276)	(301)	(335)	(320)	(884)	(552)	(363)
Other income / (expenses)	(4,813)	2	9	12	(31)	(6)	-	(213)	(12)	(4)	(6)	-
Loss	(5,227)	(494)	(337)	(242)	(327)	(282)	(301)	(548)	(331)	(888)	(479)	(344)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Loss per share	(0.20)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.03)	(0.01)	(0.05)	(0.03)	(0.02)

G. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as at September 30, 2023.

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. 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.