# Beyond Medical Technologies Inc.
**(Formerly Micron Waste Technologies Inc.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the years ended December 31, 2020 and 2019**

**Dated April 30, 2021**

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Beyond Medical Technologies Inc. (formerly Micron Waste Technologies Inc."), ("Beyond", "Micron" or the "Company"), its operations, financial performance, current and future business environment and opportunities and risks. This MD&A is intended to supplement and complement the audited consolidated financial statements and the accompanying notes (the "financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for the year ended December 31, 2020.

This MD&A is prepared as of April 30, 2021. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This MD&A contains statements with "forward-looking information" ("forward-looking statements") within the meaning of applicable securities laws. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimated", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. In particular and without limitation, this MD&A contains forward-looking statements pertaining to the following:

- the Company's intentions with respect to its business and operations;
- the Company's expectations regarding its ability to raise capital and grow its business;
- the Company's expectations with regard to its marketing and promotional programs;
- the Company's growth strategy and opportunities; and
- anticipated trends and challenges in the Company's business and the industry in which it operates.

Forward-looking information is based on reasonable assumptions, estimates, analysis and opinions of the Company's management in light of its experience and its perception of trends, expected developments, current conditions, as well as other factors that the Company's management believes to be relevant and reasonable in the circumstances at the date of this MD&A, but which may prove to be incorrect. The Company believes that the expectations and assumptions reflected in such forward-looking information are reasonable. Key assumptions upon which the Company's forward-looking information is based include:

- those related to general economic conditions;
- those related to conditions, including competitive conditions, in the market in which the Company operates;
- those related to the Company's use of marketing and promotional materials;
- the Company's ability to obtain requisite licences and necessary governmental approvals;
- the Company's ability to attract and retain key personnel; and
- the impact of the COVID-19 outbreak on the Company's operations.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used. Forward-looking statements are also subject to risks and uncertainties facing the Company's business, any of which could have a material impact on its outlook.

Some of the risks the Company faces and the uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements include:

- the COVID-19 outbreak and its effect on the Company's business;
- the Company's dependence on management, key personnel and consultants;
- the Company's dependence on suppliers and skilled labour;
- the Company may require additional financing, which may be dilutive to existing shareholders;
- price volatility of publicly traded securities, including the Company's common shares;
- the impact of environmental and safety laws and health regulations and its effect on the Company's business;
- there is no assurance the Company will maintain profitability;
- there is competition in the Company's industry; and
- the Company's directors may have conflicts of interest.

If any of these risks or uncertainties materialize, or assumptions underlying the forward-looking statements prove incorrect, actual results may vary material from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "Risks Related to the Business" should be considered carefully by readers.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws. Further information concerning risks and uncertainties associated with these forward-looking statements and the Company's business may be found in the Company's other public filings which are available on the Canadian Securities Administrators' website at www.sedar.com and the Company's website at www.beyondmd.ca.

**Conflicts of Interest**

Certain directors and officers of the Company are, or may become, directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

### DESCRIPTION OF THE COMPANY'S BUSINESS

Beyond Medical Technologies Inc. (formerly "Micron Waste Technologies Inc."), was incorporated on November 29, 2006 pursuant to the *Business Corporations Act*, British Columbia. The registered office of the Company is located at Suite 1500 – 1055 West Georgia Street, Vancouver, B.C. V6E 4N7. Its head office is located at Suite 915 – 700 West Pender Street, Vancouver, B.C. V6C 1G8.

The Company's principal business activity has been the development and commercialization of an on-site treatment system that can turn organic waste into clean water that meets municipal effluent discharge standards. During 2020, the Company has started the business of manufacturing medical grade face masks through its newly acquired wholly-owned subsidiary.

On April 20, 2020, the Company announced the signing of a non-binding letter of intent (the "LOI") with Covid Technologies Inc. ("Covid Technologies") to acquire all of the outstanding securities of Covid Technologies (the "Acquisition"). Covid Technologies is a privately held British Columbia corporation based in Vancouver, BC focused on the manufacturing of personal protective equipment ("PPE"). At the time of the signing of the LOI, Covid Technologies was in the midst of a private placement to sell 16,500,000 units at a price of $0.02 per unit for gross proceeds of $330,000.

On April 24, 2020, the Company made a loan payment, on terms mutually agreed to by both parties, to Covid Technologies in the aggregate sum of $250,000 to be used as working capital during the negotiation of the share exchange agreement (the "Share Exchange Agreement").

On May 12, 2020, the Company completed a consolidation of its common shares on the basis of one post-consolidated common share for every two pre-consolidation common shares (the "Consolidation"). Upon the completion of the Consolidation, the Company's common shares started trading under a new CUSIP number: 59511R207. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the accompanying consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

On May 18, 2020, the Company and Covid Technologies entered into the Share Exchange Agreement with regard to the Acquisition.

On July 3, 2020, the Company provided further working capital to Covid Technologies by making another loan payment in the amount of $300.000.

Upon the closing of the Acquisition on July 8, 2020, the Company acquired all of the issued and outstanding common shares of Covid Technologies in consideration for the issuance of 16,500,000 post-consolidated Micron common shares and 16,500,000 replacement warrants exercisable for a price of $0.10 per share for a period up to and including April 28, 2025.

Covid Technologies located its manufacturing facilities at the Company's Innovation Centre in Delta, BC. It is managed by the existing Beyond Medical team, together with Covid Technologies founder, Harveer Sidhu. Beyond Medical will continue the research and development of its waste digester business in the food and pharmaceuticals industries alongside its PPE business.

Covid Technologies has been manufacturing and selling three-ply medical grade face masks since August 2020. The three-ply medical grade face masks are being manufactured pursuant to Covid Technologies' Medical Device Establishment License issued by Health Canada as well as to the American Society for Testing and Materials' F2100 Level 3 standards.

Effective August 26, 2020, Covid Technologies changed its name to Micron Technologies Inc. ("Micron Technologies").

Subsequent to the year ended December 31, 2020, to reflect the transformation of the Company's strategic focus that took place in the past year to combat COVID-19 by manufacturing and distributing medical grade personal protective equipment and to align the corporate identity with the Company's new main strategy, on January 12, 2021, the Company changed its name from "Micron Waste Technologies Inc." to "Beyond Medical Technologies Inc.". Its common shares also began trading on the Canadian Securities Exchange on the same day under the new symbol "DOCT", the new CUSIP 088641105 and the new ISIN number CA0886411051.

In addition to the three-ply medical grade face masks, Micron Technologies is also manufacturing N95 Model 8800 face masks. On March 31, 2021, the Company announced that Micron Technologies' N95 Model 8800 face masks have been approved by Health Canada and the US Food and Drug Administration ("US FDA"). Additionally, the N95 Model 8800 face masks have passed testing with Kinetrics Analytical and Environmental Laboratories. Accordingly, Micron Technologies is confident that its N95 Model 8800 face masks will obtain medical-grade certification from the National Institute for Occupational Safety and Health ("NIOSH").

The Company also announced that Micron Technologies' three-ply medical grade face masks and N95 medical grade face masks have been approved for sale by Walmart. The products will be available online at Walmart once Micron Technologies has completed the onboarding process.

**Business Development**

On January 14, 2021, the Company entered into a letter of intent (the "Letter of Intent") with Kayan Health Limited ("Kayan Health") which sets out the basic terms and conditions for the acquisition by the Company of all the issued and outstanding securities of Kayan Health in exchange for securities of the Company (the "Transaction"). Following completion of the Transaction, Kayan Health will become a wholly-owned subsidiary of the Company.

Pursuant to the terms of the Letter of Intent, the Company will acquire 100% of the issued and outstanding common shares of Kayan Health in exchange for common shares of the Company. The Company will issue to the Kayan Health shareholders the aggregate sum of up to $6,000,000 payable in common shares as follows:

- $4,000,000 upon closing, payable in common shares at a price per common share equal to the volume weighted average trading price of the common shares for the seven trading days ending on the day prior to the parties entering into the Definitive Agreement (as defined herein); and

- $2,000,000 upon Kayan Health achieving a mutually agreed upon milestone (the "Performance Milestone") payable in common shares at a price per common share equal to the volume weighted average trading price of the common shares for the seven trading days ending on the day prior to Kayan Health achieving the Performance Milestone.

The Company will provide Kayan Health with working capital of $100,000 per month (to a maximum of $400,000) until the parties have executed a Definitive Agreement (as defined herein). Effective on closing of the Transaction, the Company will also appoint two nominees of Kayan Health to the Company's board of directors.

As of April 1, 2021, the Company has provided Kayan Health with a total working capital of $400,000.

The Letter of Intent sets out certain terms and conditions pursuant to which the Transaction will be completed. The Transaction remains subject to certain closing conditions including, without limitation, the (a) completion of customary due diligence, (b) negotiation and execution of a definitive agreement (the "Definitive Agreement") on or before April 30, 2021 and (c) the receipt of all required regulatory and third-party approvals and, if applicable, the approval of the shareholders of the Company and Kayan Health, respectively. There can be no guarantees that the Transaction will be completed as contemplated or at all.

Kayan Health's proprietary AI-powered health communications platform helps doctors streamline communications with their patients and remotely monitor them. Additionally, Kayan Health's proprietary platform allows patients to schedule virtual consultations with their physicians and communicate with them through chat, audio and video calls. The platform also integrates with wearable devices and diagnostic tools that delivers both patients and doctors with greater visibility onto the patient's health and provides them with proactive automated alerts such as elevated blood pressure and heart rates. Storing all this data into a holistic patient profile that's integrated with the clinic's electronic health systems – ensuring their patients' health records are up to date, accessible by all, helps deliver better care and enables the clinic to generate more revenue.

Kayan Health's platform has already been deployed in multiple clinics in the United States and is projected to reach $5M in revenue by 2022. Kayan Health's proprietary platform was developed by the founders of HeyDoc!, a telehealth app launched in 2016 that had supported over 3,000 patients globally. Kayan Health is a privately held company based in Toronto, Ontario.

On February 9, 2021, the Company announced that Kayan Health has signed a Memorandum of Understanding ("MoU") with Predictiv Care, Inc. ("Predictiv"), a personalized genomics technology platform aimed at empowering healthcare professionals with predictive medicine.

Under the terms of the MOU, Kayan Health and Predictiv will collaborate to integrate their technologies delivering a range of DNA-Based AI-powered services ensuring that clinics and healthcare providers are better equipped to support their patients.

In addition to Kayan's AI-driven patient triaging platform, Predictiv will enable Kayan to offer a pre-diagnosis based on the patient's symptoms combined with their personal genome. This will provide the opportunity to identify at-risk patients early on and increase the rates of successful treatments. It will also enable genetics-based vital monitoring through wearable technology and medical-grade diagnostic devices. The goal is to enhance patients' quality of life by closely monitoring their symptoms and having secure, on-demand access to their physician.

**Financing**

On February 5, 2021, the Company closed the first tranche of a non-brokered private placement (the "Private Placement") whereby it issued 10,580,000 units at a purchase price of $0.125 per unit for gross proceeds of $1,322,500. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one common share at a price of $0.20 per warrant until February 5, 2023.

The Company paid a total of $875 in cash finders fees ("Finders' Fees") and issued 7,000 finders' warrants ("Finders' Warrants) to an eligible finder. Each Finders' Warrant entitles the holder to purchase one common share ("Finders' Warrant Share") at an exercise price of $0.20 per Finders' Warrant Share until February 5, 2023

On March 11, 2021, the Company closed the second and final tranche of the Private Placement whereby it issued 11,619,500 units for gross proceeds of $1,452,438. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each share purchase warrant will entitle the holder to acquire one common share at a price of $0.20 per warrant until March 11, 2023.

The Company paid aggregate cash Finders' Fees totalling $41,746.25 and issued 333,970 Finders' Warrants to certain eligible finders. Each Finders' Warrant entitles the holder to purchase one common share at an exercise price of $0.20 per Finders' Warrant Share until March 11, 2023.

The total gross proceeds the Company received from the Private Placement was $2,774,938.

The net proceeds of the Private Placement will be used to fund expenses related to the Company's transaction with Kayan Health Limited, to continue to grow the PPE business of its wholly-owned subsidiary, Micron Technologies, and to continue the development of the Company's organic waste digester business, and for general working capital purposes.

## Corporate

Effective January 2, 2020, Mr. Kal Malhi, the Chairman of the Board, assumed the position of the interim President and Chief Executive Officer of the Company after the resignation of former President and Chief Executive Officer until a permanent replacement is appointed.

Effective July 8, 2020, Mr. Harveer Sidhu, President of Micron Technologies, was appointed to the Company's Board of Directors.

Effective February 10, 2021, Dr. Bharat Bhushan, resigned as Chief Technology Officer and as a director of the Company.

Effective February 11, 2021, Mr. Michael Kelly was appointed to the Company's Board of Directors.

Effective April 13, 2021, Mr. Michael Malana, resigned as Director of the Company and Chair of the Audit Committee. Dr. Hyder Khoja assumed the position of the interim Chair of the Audit Committee until a permanent replacement is appointed.

### Impact of COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in government worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

The Company's wholly-owned subsidiary, Micron Technologies, has been manufacturing and selling three-ply medical grade face masks since August 2020. Subsequent to the year ended December 31, 2020, Micron Technologies' N95 Model 8800 face masks have been approved by Health Canada and the US FDA and it is expected that it will obtain medical-grad certification from NIOSH. There are currently a limited number of NIOSH approved medical face mask manufacturers and the demand for these masks is outpacing supply.

## ACQUISITION OF COVID TECHNOLOGIES

On May 18, 2020, the Company and Covid Technologies entered into a share exchange agreement whereby the Company would acquire 100% of the issued and outstanding shares of Covid Technologies, including its dilutive securities, in exchange for securities of the Company.

Upon the closing of the Acquisition on July 8, 2020, the Company acquired all of the issued and outstanding common shares of Covid Technologies, in consideration for the issuance of 16,500,000 common shares and 16,500,000 warrants ("Replacement Warrants") of the Company. Each Replacement Warrant had an exercise price and expiration date equal to the exercise price and expiration date of Covid Technologies warrants that were cancelled. The fair value of the Replacement Warrants was determined using a Black-Scholes option pricing model.

For accounting purposes, the Acquisition has been recorded as an asset acquisition as Covid Technologies did not meet the definition of a business at the Acquisition date, as defined in IFRS 3, Business Combinations.

| | |
|---|---|
| Consideration paid: | |
| Fair value of 16,500,000 common shares of the Company issued | $ 2,310,000 |
| Fair value of 16,500,000 Replacement Warrants issued | 2,148,792 |
| Transaction costs | 15,692 |
| **Total consideration paid** | **$ 4,474,484** |
| | |
| Net identifiable assets acquired: | |
| Cash | 241,052 |
| Taxes recoverable and other receivables | 25,277 |
| Prepaids | 209,568 |
| Inventory | 172,649 |
| Manufacturing equipment | 145,031 |
| Accounts payable and accrued liabilities | (9,148) |
| Loans payable | (550,000) |
| **Identifiable assets acquired** | **$ 234,429** |
| | |
| **Loss on acquisition of Covid Technologies** | **$ 4,240,055** |

The Company did not acquire any identifiable intangible assets as part of the acquisition of COVID Technologies. As a result, the difference between the consideration paid of $4,474,484 and the net assets acquired of $234,429 was recorded in profit or loss during the year ended December 31, 2020.

The Company used the Black-Scholes option pricing model to determine the fair value of the 16,500,000 Replacement Warrants issued with the following weighted average assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.32% |
| Expected dividend yield | 0.00% |
| Expected stock price volatility | 280.25% |
| Expected life in years | 4.81 |
| Forfeiture rate | 0.00% |

## RESULTS OF OPERATIONS

### Year ended December 31, 2020 and 2019

For the year ended December 31, 2020, the Company recorded a net loss and comprehensive loss of $6,520,933 compared to a net loss and comprehensive loss of $5,366,471 for the year ended December 31, 2019. The increase in net loss and comprehensive loss was mainly due to a loss on acquisition of Covid Technologies, a realized loss on sale of marketable securities and a fair value loss on marketable securities. These increases were partially offset by decreases in impairment losses on development assets and deferred assets.

The Company had revenues of $208,659 (2019 - $nil) and a gross profit of $24,685 (2019 - $nil) from the PPE operating segment for the year ended December 31, 2020 compared to $nil for the year ended December 31, 2019.

Total operational expenses of $2,099,866 for the year ended December 31, 2020 was lower and comparable to the total operational expenses of $2,800,998 for year ended December 31, 2019. This was in line with management's expectations that the slow down of activities in the waste treatment segment would be partially offset by the growth of activities in the PPE segment. The decrease was mainly attributed to decreases in consulting fees/salaries, share-based payments, research expenses and office and general expenses. These decreases were partially offset by increases in business development expenses, professional fees and selling expenses.

Consulting fees/salaries, which included salaries and payroll expenses paid to employees working in the Company's research and development team at the Company's Innovation Centre and fees paid to consultants of the Company for providing corporate/administrative services as well as for consultation on the Company's current and prospective projects, were $587,634 (2019 - $1,513,335). The decrease was mainly due to a reduction in the number of employees and consultants working in the waste treatment segment as a result of the Company's suspension of the Cannavore™ waste treatment project in December of 2019.

Share-based payments were $7,070 (2019 - $349,493). There were no stock options granted in 2020. The share-based payment that was recognized for the year ended December 31, 2020 was for the stock options that were granted on April 8, 2019 and were vested during the year ended December 31, 2020.

Research expenses declined to $28,572 for the year ended December 31, 2020 compared to $126,208 for the year ended December 31, 2019. The decrease was a result of the Company's suspension of the Cannavore™ waste treatment project.

Office and general expenses, which included expenses such as insurance, rent, utilities and other office expenses were $132,414 (2019 - $199,632). The decrease was mainly due to a reduction in administrative travel expenses as a result of the Company's suspension of the Cannavore™ project in December of 2019.

Business development expenses were $759,801 (2019 - $277,013). The increase was mainly due to costs related to a new launch of marketing initiatives designed to improve visibility into the Company's current and planned operations.

Selling expenses, which included sales commissions and consulting fees paid to sales personnel, costs related to inventory logistics, e-commerce online charges and delivery charges, were $97,928 (2019 - $nil). These expenses were incurred as a result of activities generating sales revenues in the PPE segment.

Professional expenses, which included legal fees, accounting/audit fees and tax services fees were $259,490 (2019 – $159,779). The increase was mainly attributed to increases in legal costs relating to general corporate matters and legal actions to defend the Company against legal claims brought about by former employees.

Upon the closing of the Acquisition on July 8, 2020, the Company acquired all of the issued and outstanding common shares of Covid Technologies, in consideration for the issuance of 16,500,000 common shares and 16,500,000 Replacement Warrants of the Company. Total consideration paid was $4,474,484 and the total value of the identifiable assets acquired was $234,429. The excess value of consideration paid over the net assets acquired was $4,240,055 which was recognized as a loss on acquisition at acquisition date (2019 - $nil)

During the year ended December 31, 2020, the Company sold all of the marketable securities it held in the shares of Palladium Ore Inc. ("POM") for net proceeds of $257,130. The cost base for the POM shares was $275,000, which was the acquisition cost recognized for the shares at March 7, 2018. The sale of the POM shares resulted in a realized loss on sale of marketable securities of $17,870 (2019 - $nil) and a loss on fair value adjustment of the marketable securities of $187,500 (2019 – a gain of $358,693).

## SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's audited financial statements for the most recently completed financial years:

| | **Year ended December 31, 2020** | **Year ended December 31, 2019** | **Year ended December 31, 2018** |
|---|---|---|---|
| Total revenue | $ 208,659 | $ Nil | $ Nil |
| Comprehensive loss for the year | 6,520,933 | 5,366,471 | 3,208,300 |
| Basic and diluted loss per share | 0.14 | 0.14 | 0.04 |
| Working capital | $ 920,382 | $ 3,279,292 | $ 6,108,949 |
| Total assets | 1,843,859 | 3,842,820 | 8,500,644 |

### Three months ended December 31, 2020 and 2019

In the fourth quarter ended December 31, 2020 ("Q4-2020"), the Company recorded a net loss and comprehensive loss of $4,764,858 compared to a net loss and comprehensive loss of $3,183,592 in the fourth quarter ended December 31, 2019 ("Q4-2019"). The increase in net loss and comprehensive loss was mainly due to a loss on acquisition of Covid Technologies, a realized loss on sale of marketable securities and a fair value loss on marketable securities. These increases were partially offset by decreases in impairment losses on development assets and deferred assets.

The Company reported a gross profit of $16,681 from its new PPE manufacturing segment for the fourth quarter ended December 31, 2020 compared to $nil for the fourth quarter ended December 31, 2019 as the PPE manufacturing segment was acquired and started up in 2020.

The operational expenses incurred in Q4-2020 were $530,144 as compared to $520,496 in Q4-2019. The increase could be mainly attributed to increases in professional fees that were partially offset by a decrease in consulting fees/salaries.

In Q4-2020, professional fees were $136,197 (Q4-2019 – $56,948). The increase was mainly due to increases in legal costs and audit fees.

In Q4-2020, consulting fees/salaries were $79,380 (Q4-2019 - $310,627). The decrease in Q4-2020 was mainly due to a decrease in activities by the Company's research team on the waste treatment project which was partially offset by wages paid to employees and consultants working for Covid Technologies.

In Q4-2020, the fair value adjustment on marketable securities was $nil (Q4-2019 – a loss of $312,378). There was no fair value adjustment in Q4-2020 because all of the marketable securities the Company held in the shares of POM were sold in the first quarter of 2020.

In Q4-2020, a loss of $4,240,055 (2019 - $nil) on the acquisition of Covid Technologies was recognized by the Company.

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters:

| | 2020 | 2020 | 2020 | 2020 |
|---|---|---|---|---|
| **Quarter Ended** | **Dec. 31(1)** | **Sep. 30(2)** | **Jun. 30(3)** | **Mar. 31(4)** |
| Total revenue | $ 184,815 | $ 23,844 | $ Nil | $ Nil |
| Loss and comprehensive loss | 4,764,858 | 461,393 | 735,083 | 559,599 |
| Loss and comprehensive loss per share, basic and diluted | 0.084 | 0.010 | 0.019 | 0.014 |

| | 2019 | 2019 | 2019 | 2019 |
|---|---|---|---|---|
| **Quarter Ended** | **Dec. 31(5)** | **Sep. 30(6)** | **Jun. 31(7)** | **Mar. 31** |
| Total revenue | $ Nil | $ Nil | $ Nil | $ Nil |
| Loss and comprehensive loss | 3,183,592 | 681,442 | 1,097,857 | 403,580 |
| Loss and comprehensive loss per share, basic and diluted | 0.040 | 0.009 | 0.014 | 0.005 |

(1) The Company had revenue from its PPE manufacturing business. The increased loss and comprehensive loss for the quarter ended December 31, 2020 as compared with the quarter ended September 30, 2020 was mainly due to the loss on acquisition of Covid Technologies recognized in the quarter.

(2) The Company started generating revenue from its new PPE manufacturing business. The decreased loss and comprehensive loss for the quarter ended September 30, 2020 as compared with the quarter ended June 30, 2020 was mainly due to decreases in consulting fees/salaries partially offset by increases in business development expenses and costs of goods sold.

(3) The increased loss and comprehensive loss for the quarter ended June 30, 2020 as compared with the quarter ended March 31, 2020 was mainly due to increases in business development expenses partially offset by decreases in consulting fees/salaries.

(4) The decreased loss and comprehensive loss for the quarter ended March 31, 2020 as compared with the quarter ended December 31, 2019 was mainly due to decreases in impairment losses that were recognized for the development assets and deferred assets in the quarter ended December 31, 2019 as a result of the suspension of the Cannavore™ project.

(5) The increased loss and comprehensive loss for the quarter ended December 31, 2019 as compared with the quarter ended September 30, 2019 was mainly due to impairment losses recognized for the development assets and deferred assets as a result of the suspension of the the Cannavore™ project and the uncertainties pertaining to the viabilities of the Organivore™ and Pharmavore™ projects.

(6) The decreased loss and comprehensive loss for the quarter ended September 30, 2019 as compared with the quarter ended June 30, 2019 was mainly due to decreases in share-based payment, business development expenses, consulting/salaries expenses and transfer agent and filing fees. The decrease in share-based payment was mainly due to the share-based payment associated with the stock options grant on April 8, 2019 of 1,200,000 stock options to various officers and consultants of the Company whereas there was no options grant in the quarter ended September 30, 2019. The decrease in business development expenses was mainly due to additional expenses associated with the ribbon cutting ceremony at the Company's Innovation Centre official opening in April 2019. The decrease in consulting/salaries expenses could be attributed to the termination of employment of two employees. The decrease in transfer agent and filing fees was due to the additional expenditures associated with the preparation of the annual general meeting that were mainly incurred in the quarter ended June 30, 2019.

(7) The increased loss and comprehensive loss for the quarter ended June 30, 2019 as compared with the quarter ended March 31, 2019 was mainly due to increases in share-based payment, loss on held for trading investments, consulting/salaries expenses and business development expenses. The increase in share-based payment was attributed to the option grant on April 8, 2019 of 1,200,000 stock options to various officers and consultants of the Company. The increase in loss on held for trading investments was due to further decline in market value of the Palladium Ore shares. The increase in consulting/salaries was due to the addition of a new consultant to assist the Company in the commercialization of the Company's various technologies. The increase in business development expenses was due to additional expenses associated with the ribbon cutting ceremony at the Company's Innovation Centre official opening in April 2019.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements.

The Company's operating, investing and financing activities for the year ended December 31, 2020 resulted in a net decrease in cash of $2,160,320 (2019 - $297,042). As at December 31, 2020, the Company's current assets included cash and cash equivalents of $624,205, prepaid expenses of $104,379, accounts receivables of $97,009 and inventory of $369,053. The Company's current liabilities include accounts payable and accrued liabilities and lease liabilities of $274,264.

| | As at December 31, 2020 | As at December 31, 2019 |
|---|---|---|
| Working capital (1) | $ 920,382 | $ 3,279,292 |
| Deficit | $ 22,340,894 | $ 16,699,505 |

Working capital declined by $2,358,910 in 2020. The decrease in working capital was the result of no cash generated from financing activities such as the issuance of common shares to offset the operating expenditures incurred by Covid Technologies.

At present, the Company started generating operating income from its new PPE manufacturing business with a gross profit of $24,685. To maintain its ability to continue as a going concern and to further develop its business, the Company is dependent on external financing to fund its future intended business plan. The Company anticipated the PPE business line to be self-financing once it reached its anticipated sales.

In light of changing market conditions and lower outlook on the commercial viability of the Cannavore digester system for the cannabis industry, the Company intends to allocate its resources to continue with the research and development of the Pharmavore and Organivore waste digester systems for the pharmaceutical industry and food wastes industry respectively.

The pandemic caused by COVID-19 has not had a direct adverse effect on the business and affairs of the Company. For the Company to have sufficient liquidity to fund its ongoing operations and complete development activities, the Company intends to continue financing its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. The Company estimates it will have sufficient capital to continue operations for the upcoming year.

*Non-GAAP Financial Measure*

The Company uses "working capital" to assess liquidity and general financial strength and is calculated as current assets less current liabilities(1). Working capital does not have any standardized meaning prescribed by IFRS and is referred to as a "Non-GAAP Financial Measure." It is unlikely for Non-GAAP Financial Measures to be comparable to similar measures presented by other companies.

(1) Working capital is calculated as current assets (December 31, 2020 - $1,194,646; December 31, 2019 - $3,426,121), less current liabilities (December 31, 2020 - $274,264; December 31, 2019 - $146,829).

### Contingencies

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to take appropriate action with respect to any such legal actions, including by defending itself against such legal claims as necessary. Other than the claim described below, as of the date of this report, the Company is not aware of any other material or significant claims against the Company.

On October 29, 2019, the Company filed a response to civil claim in defense of a claim brought by a former employee for alleged wrongful dismissal. The litigation was resolved during the year ended December 31, 2020 by both parties agreeing to a cash settlement. The cash payment including $15,000 in legal costs and $25,000 in retirement allowance to the former employee less applicable statutory deductions was paid in the fourth quarter ended December 31, 2020.

## OUTSTANDING SHARE DATA

As at December 31, 2020 and the date of this report, the Company has:

| | December 31, 2020 | April 30, 2021 |
|---|---|---|
| Issued and outstanding common shares(1) | 56,011,841 | 78,716,341 |
| Warrants outstanding(2) | 29,084,100 | 51,119,570 |
| Stock options outstanding(3) | 1,362,500 | 2,862,500 |

(1) Subsequent to the year ended December 31, 2020, the Company completed a private placement of units offering at a purchase price of $0.125 per unit and issued a total of 22,199,500 common shares for gross proceeds of $2,774,938.

A total of 505,000 of common shares were issued upon exercises of the Covid Technologies Replacement Warrants at an exercise price of $0.10 per warrant for gross proceeds of $50,500.

(2) Subsequent to the year ended December 31, 2020, 505,000 of the Covid Technologies Replacement warrants exercised with a weighted average exercise price of $0.10 per warrant.

A total of 22,199,500 warrants were issued in connected with the private placement of units offering at an exercise price of $0.20 per common share.

A total of 340,970 Finders' Warrants were issued in connection with the private placement of units offering at an exercise price of $0.20 per common share.

(3) Subsequent to the year ended December 31, 2020, 1,500,000 incentive stock options were granted to certain directors, officers, consultants and employees at an exercise price of $0.125 per share.

## OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

## COMMITMENTS

The Company has the following annual commitments:

| | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|---|---|---|---|---|---|---|
| Warehouse lease | $ - | $95,586 | $ 93,585 | - | - | $187,171 |

## SEGMENTED INFORMATION

The Company operates in two business segments with operations and long-term assets in Canada. The two business segments include the manufacture of PPE and the development and commercialization of on-site treatment systems that can turn organic waste into clean water that meets municipal effluent discharge standards. All of the Company's assets and expenditures are located and incurred in Canada. The Company's long-term assets are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Restricted cash equivalents | $ 28,750 | $ - |
| Deposits – Long-term | 8,100 | 7,500 |
| Property and equipment | 443,648 | 148,069 |
| Right-of-use assets | 143,715 | 215,573 |
| Development assets | 25,000 | 45,557 |
| | $ 649,213 | $ 416,699 |

At December 31, 2020, long-term assets of $378,766 relates to the PPE operating segment (2019 - $nil) and $270,447 (2019 - $416,699) relates to the waste treatment operating segment. During the year ended December 31, 2020, there was no revenue related to the waste treatment operating segment.

## RELATED PARTY TRANSACTIONS

Key management personnel include senior officers and directors of the Company.

| Name | Relationship | Purpose of Transaction | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| Bullrun Capital Inc. | Company owned by Kal Malhi, Chairman / Director & interim President / CEO | Management consulting fees | $ 240,000 | $ 240,000 |
| Protechnol Biotech Inc. | Company owned by Bob Bhushan, former CTO / Director(4) | Management consulting fees | $ 30,000 | $ 120,000 |
| Alfred & Co Advisors Inc. | Company owned by Alfred Wong, former President / CEO(1) | Management consulting fees | $ nil | $ 193,806 |
| Rav Malit | Former CEO(2) | Management consulting fees | $ nil | $ 5,000 |
| Michael Sadhra Ltd. | Company owned by Michael Sadhra, CFO | Financial consulting fees | $ 72,000 | $ 72,000 |
| Health Strategy Group Inc. | Company owned by Cam Battley, former Director(3) | Director fees (included in consulting fees) | $ nil | $ 27,000 |
| Dr. Hyder Khoja | Director | Director fees (included in consulting fees) | $ 18,000 | $ 12,000 |
| Michael Malana | Former Director(6) | Director fees (included in consulting fees) | $ 18,000 | $ nil |
| HarvWell Ltd. | Company owned by Harveer Sidhu, Director(5) | Management consulting fees | $ 54,992 | $ nil |
| | Consulting fees paid to key management personnel | | $ 432,992 | $ 669,806 |

(1) Resigned effectively January 2, 2020.
(2) Resigned effectively January 13, 2019.
(3) Resigned effectively December 23, 2019.

(4) Consulting fees reduced to nil effective April 1, 2020 due to suspension of Cannavore project; resigned effectively February 10, 2021.
(5) Director effective July 8, 2020.
(6) Resigned effectively April 13. 2021.

Share-based compensation to key management personnel

| Name | Relationship | Purpose of Transaction | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| Alfred & Co Advisors Inc. | Company owned by Alfred Wong, former President / CEO | Management consulting fees | $ nil | $ 137,946 |
| | Share-based compensation paid to key management personnel | | $ nil | $ 137,946 |

Related party transactions not included in compensation to key management personnel are as follows:

| Name | Relationship | Purpose of Transaction | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|---|---|
| Bullrun Advisory Group Inc. | Company whose principals include Kal Malhi, Chairman / Director & interim President / CEO and Michael Sadhra, CFO | Office rent | $ 36,000 | $ 27,000 |
| Sadhra & Chow LLP | Partnership whose partners include Michael Sadhra, CFO | Tax services | $ 7,000 | $ 2,000 |

Accounts payables and accrued liabilities of the Company include the following amounts due to related parties:

| Name | Relationship | Purpose of Transaction | December 31, 2020 | December 31, 2019 |
|---|---|---|---|---|
| Alfred & Co Advisors Inc. | Company owned by Alfred Wong, former President / CEO | Expenses | $ nil | $ 15,705 |
| HarvWell Ltd. | Company owned by Harveer Sidhu, Director | Management consulting fees | $ 10,000 | $ nil |

## SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2020 and 2019.

### Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent 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, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

For a detailed summary of the accounting polices subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position – see Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

## FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company classified its financial instruments as follow:

| | Financial Assets | Loans and Receivables | Other Financial Liabilities |
|---|---|---|---|
| | Fair Value Through Profit or Loss | Measured at Amortized Cost | Measured at Amortized Cost |
| **December 31, 2020** | | | |
| Cash and cash equivalents | $ 624,205 | $ - | $ - |
| Accounts receivable | - | 43,237 | - |
| Accounts payable and accrued liabilities | - | - | (195,845) |
| Lease liabilities | - | - | (165,008) |
| | $ 624,205 | $ 43,237 | $ (361,835) |

| | Financial Assets | Loans and Receivables | Other Financial Liabilities |
|---|---|---|---|
| | Fair Value Through Profit or Loss | Measured at Amortized Cost | Measured at Amortized Cost |
| **December 31, 2019** | | | |
| Cash and cash equivalents | $ 2,784,525 | $ - | $ - |
| Marketable securities | 462,500 | - | - |
| Accounts receivable | - | 81,333 | - |
| Accounts payable and accrued liabilities | - | - | (74,779) |
| Lease liabilities | - | | (230,964) |
| | $ 3,247,025 | $ 81,333 | $ (305,743) |

**Fair Value**
The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value due to the short-term nature of these instruments.

## RISKS AND UNCERTAINTIES

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest risk, liquidity risk, and foreign exchange rate risk.

### Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is comprised of trade receivables, GST receivable, other receivables and accrued interest receivable from guaranteed investment certificates ("GICs") held with the bank. GST receivable is not a financial instrument as it does not arise from contractual obligations. The Company limits exposure to credit risk on GICs by holding deposits in high credit quality banking institutions in Canada. The Company is not exposed to significant credit risk on its other receivables. The Company does not have any asset-backed commercial paper included in cash.

The Company's trade receivables are subject to the expected credit loss model. While cash and cash equivalents and trade and accounts receivable are also subject to the impairment requirements of IFRS 9 *Financial Instruments*, the identified impairment loss was minimal.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

| As at December 31, 2020 | Carrying amount $ | Contractual cash flows $ | 1 year or less $ | 1 -5 Years $ |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 196,845 | 196,845 | 196,845 | – |
| Lease liabilities | 165,008 | 187,171 | 93,586 | 93,585 |
| | 361,853 | 384,016 | 290,431 | 93,585 |

**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. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risks.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of its short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents.

(b) Foreign Exchange Rate Risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the CAD (primarily US$). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the US dollar. The exposure to foreign exchange rate risk is considered low. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

As at December 31, 2020, a 10% strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss before taxes by approximately $512 (2019 - $647).

(c) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company's marketable securities were carried at market value and were therefore directly affected by fluctuations in the market value of the underlying securities. After the sale of all of the marketable securities during the year ended December 31, 2020, the Company is not exposed to significant other price risk.

**Management of Capital**

Capital comprises the Company's shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

With its new PPE manufacturing business in operation, the Company started generating some operating income. To maintain its ability to continue as a going concern and to further develop its business, the Company is dependent on external financing to fund its future intended business plan. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

**Uninsurable Risks**

The business of the Company may not be insurable, or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

**Financing and Share Price Fluctuation Risks**

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

**Risks Associated with Acquisitions**

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

**Economic Environment**

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's future sales and profitability.

**COVID-19 Pandemic Risk**

The COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, may all potentially impact the Company's operations and access to capital. As of date, the COVID-19 pandemic has not had a direct adverse effect on the business and affairs of the Company. However, there can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the financing capital available in the waste technology sector.

## SUBSEQUENT EVENTS

- On January 12, 2021, the Company granted an aggregate of 1,500,000 stock options to certain directors, officers, employees and consultants of the Company with an exercise price of $0.125 per share. The options expire on January 12, 2023 and vest immediately.

- A total of 505,000 of warrants with an exercise price of $0.10 per warrant were exercised for gross proceeds of $50,500.

**Business Development** – see "Description of the Company's Business" above.

**Financing** – see "Description of the Company's Business" above.

**APPENDIX 1**

## RISKS RELATED TO THE BUSINESS

***Regulatory Risks***

The activities of the Company will be subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

***Change in Laws, Regulations and Guidelines***

The Company's operations will be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of waste products but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

***Lack of Operating History***

The Company has only recently started to carry on its business. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a materially adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

***Competition***

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

***Growth and Consolidation in the Industry***

The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

***Intellectual Property Risks***

The Company`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

***Product Recalls***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

***Reliance on Key Inputs***

The Company's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company and the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

***Environmental and Employee Health and Safety Regulations***

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

***Market for Securities and Volatility of Share Price***

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

***Payment of Dividends Unlikely***

There is no assurance that the Company will pay dividends on its shares in the near future or ever. The Company will likely require all its funds to further the development of its business.

***Management of Growth***

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any ability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

***Reliance on Key Personnel and Consultants***

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

***Dependence on Suppliers and Skilled Labour***

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

***Shareholders' Interest may be Diluted in the Future***

The Company will require additional funds for its planned activities. If the Company raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Company's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Company's shares. A decline in the market prices of the Company's shares could impair the ability of the Company to raise additional capital through the sale of new common shares should the Company desire to do so.

***Conflicts of Interest***

Certain of the proposed directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

***Litigation***

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company. Furthermore, because the content of most of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, the Company may face additional difficulties in depending its intellectual property rights.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.