# DANAVATION TECHNOLOGIES CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED
JANUARY 31, 2023

**DATED MARCH 30, 2022**

## MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“**MD&A**”) reviews the operating results, financial position, and liquidity of Danavation Technologies Corp. (“**Danavation**”, “**we**”, “**our**”, or the “**Company**”). All amounts are stated in Canadian dollars unless otherwise noted. This MD&A should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements and the notes thereto for the three and six months ended January 31, 2023, and 2022 (the “**Q2 Financial Statements**”).

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this MD&A. The Consolidated Financial Statements and this MD&A have been approved by its Board of Directors. This MD&A is dated March 30, 2022.

This MD&A may contain forward-looking information that is based on the Company’s expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information contained herein is made as of the date of this MD&A and is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the “*Forward Looking Statements*” section in this MD&A.

## DESCRIPTION OF BUSINESS

### Background

Danavation was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia. The registered office of the Company is located at 21 Roybridge Gate, Woodbridge, Ontario, Canada, L4H 1E6. The Company is proudly founded and based in North America. Its principal activity relates to the sale of micro e-paper displays and software to retailers to automate labeling, price, product, and promotions in real-time.

The Company's common shares trade on the Canadian Securities Exchange under the symbol "DVN" and on the OTCQB Venture Market in the US under the symbol “DVNCF”.

### Core Business

Danavation is a Canadian-based, Internet of Things (“**IoT**”) technology company, providing micro e-paper displays to organizations across North America. The Company’s Digital Smart Labels™ (“**DSLs**”), powered by IoT automation technology and software Platform-as-a-Service (“**PaaS”**), enables companies across various sectors to automate labelling, price, product, and promotions in real-time, enhancing data accuracy and improving performance by optimizing inventory, removing high labour costs and low productivity associated with traditional labour-intensive workflows. DSL’s also help lessen company’s need to attract and retain labor during a fiercely competitive period. By empowering the adoption of smart retail, smart cities and industry 4.0, Danavation’s goal is to create a sustainable and profitable business for shareholders while advancing sound environmental, social and governance practices, including by significantly reducing paper usage. Danavation has introduced its solution to retailers across North America, including big box and boutique grocers, while also targeting new markets including healthcare providers, manufacturing, and logistics companies.

We believe that the following competitive advantages of its DSL solution are instrumental to securing business from both existing and future potential clients:

- North American headquarters enables quick and easy hands-on support for customer servicing and communications;
- Independent, in-house development of marketing, sales, and client support enables control over the full sales cycle;
- Quality and reliable hardware engineered in-house ensures products meet client standards;

- Network of various established relationships built from a management team with over 30 years of experience, meaning few to no cold calls are required;
- Secure end-to-end connectivity with unparalleled industry coverage, over-the-air (OTA) updates, and zero interference with Wi-Fi networks; and
- Adaptable for clients across industries including retail, healthcare, manufacturing, logistics, pet shelters, and others.

**Strategic Objectives and Performance Drivers**

As Danavation has achieved commercialization and is entering a period of forecast revenue ramp, the Company is committed to pursuing continued growth through expanded contracts to deploy DSLs for existing clients, including retailers, grocery stores, convenience and big box stores across the US and Canada, as well as healthcare providers and manufacturing and logistics companies. In addition, Danavation intends to continue developing new proprietary products, services and software solutions and securing further distribution partnerships with international companies who can market Danavation's solutions in various jurisdictions outside of North America.

Despite the challenges brought on from COVID-19, Danavation remains focused on executing its long-term strategy. Danavation is committed to building shareholder value by becoming a leading provider of DSLs, growing revenue and annual recurring revenue related to software solutions, and ultimately driving the generation of positive net income. As part of this strategy, the Company has focused on building an organization that is prudently managed within a sector that offers significant future potential as economies seek to increase automation and reduce the need for physical contact. The Company believes that adhering to capital discipline and fundamental customer-oriented principles will be the keys to success, along with cost controls and operational efficiencies.

To date and during fiscal 2023, Danavation has secured new clients, partnerships, and location deployments for its DSLs, including the announcement of multiple new installs across North America. Danavation intends to continue executing on growth opportunities that drive long-term value, focusing resources on securing high-quality clients with access to multiple locations which can help enhance exposure and support the pursuit of long-term profitability. The Company will also continue to evaluate compelling new hardware and software solutions which can further contribute to its long-term portfolio value and help fuel growth and sustainability into future years.

**Outlook, Objectives and Milestones**

Danavation is targeting to accomplish the following business objectives and milestones through fiscal 2023:

- Continue to expand market presence in the US and Canada by establishing product sales and brand recognition with large retailers;
- Continue to expand management and operational team;
- Sign multiple distribution agreements and geographical exclusivity arrangements with channel partners increasing marketing leverage and operational competency and expertise in new markets;
- Design and develop additional propriety and differentiated products for commercialization such as NFC/RFID, IoT sensors, video analytics, and biometric systems; and
- Further enhance systems integration and on-site installation capabilities to seamlessly manage all operating activities and continue to create competitive advantages through best in class after sales service, support and customer service.

## RECENT DEVELOPMENTS: Second Quarter 2023 To Date

On November 30, 2022, Danavation announced that the Company has secured a full roll-out of our DSLs into all 11 remaining Impulsora locations, and the three anticipated new locations once those become operational.

On December 6, 2022, Danavation announced the beginning of the deployment of our DSLs and software PaaS technology into an initial store under the SCHEELS' banner umbrella located near to its head office in Fargo, North Dakota. With more than 30 locations across 13 states in the U.S., this first retail location in Fargo is intended to demonstrate the ease and efficiency with which Danavation's solution integrates with existing systems. Success with this initial installation sets the stage for a larger roll-out across multiple SCHEELS locations.

On January 09, 2023, the Company announced five new contracts for installations of our DSLs into two additional locations under the ACE Hardware banner, two for Fowler's Garden Centres in New York, as well as one installation for an independently operated store under a national building material brand in Quebec.

On February 2, 2023 the Company announced two new contracted installations for our DSLs, including two locations for a liquor retailer in the Yukon, along with another True Value Hardware location in California.

## FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

| For the three months ended: | January 31, 2023 | January 31, 2022 | Change | Change |
|---|---|---|---|---|
| Total revenues | **586,803** | 139,877 | **446,926** | 320% |
| Net income / (loss) | **(983,428)** | (2,023,045) | **1,039,617** | 51% |
| Weighted average shares outstanding | **114,174,850** | 103,673,797 | **10,501,053** | 10% |

| For the six months ended: | January 31, 2023 | January 31, 2022 | Change | Change |
|---|---|---|---|---|
| Total revenues | **1,015,220** | 278,088 | **737,132** | 265% |
| Net income / (loss) | **(2,284,744)** | (3,547,472) | **1,262,728** | 36% |
| Weighted average shares outstanding | **112,088,198** | 103,443,836 | **8,644,362** | 8% |

| As at: | January 31, 2023 | July 31, 2022 | Change | Change |
|---|---|---|---|---|
| Cash | **22,522** | 13,861 | **8,661** | 62% |
| Total assets | **3,708,424** | 3,453,505 | **254,919** | 7% |
| Total liabilities | **7,873,815** | 7,959,381 | **(85,566)** | 1% |

For the three and six months ended January 31, 2023, and 2022, total revenues increased year over year by $446,926 and $737,132 respectively. Sales during fiscal 2023 significantly improved primarily due to expansions into new markets and acquisitions of new customers.

Net losses improved to $938,428 from a loss of $2,023,045 incurred during the second quarter of fiscal 2023 primarily due to the increase in revenues in F2023 compounded with efforts to decrease expenses. Year-to-date net losses improved by $1,262,728 from $3,547,472 during the six months ended January 31, 2022, to $2,284,744 during the six months ended January 31, 2023, for the same reasons.

Cash was $22,522 on January 31, 2023, an increase of $8,661 from July 31, 2022. The cash increase was primarily due to proceeds from equity financing activities partially offset by negative cash from operating activities.

## RESULTS OF OPERATIONS: FISCAL YEAR TO DATE

| For the six months ended | | January 31, 2023 | | January 31, 2022 |
|---|---|---|---|---|
| **Revenue** | **$** | **1,015,220** | $ | 278,088 |
| **Costs of sales** | | **(641,335)** | | (355,936) |
| **Gross profit** | | **373,885** | | (77,848) |
| | | | | |
| **Expenses** | | | | |
| Advertising and sales promotion | | **336,416** | | 737,480 |
| Depreciation and amortization | | **221,713** | | 214,780 |
| Bank charges and interest | | **334,822** | | 378,337 |
| Accretion expense | | **107,491** | | 0 |
| Office and general | | **473,692** | | 424,178 |
| Professional fees | | **292,438** | | 129,006 |
| Salaries and benefits | | **567,834** | | 1,011,218 |
| Stock-based compensation | | **324,223** | | 574,625 |
| **Total expenses** | | **2,658,629** | | 3,469,624 |
| | | | | |
| **Net loss and comprehensive loss** | | **(2,284,744)** | | (3,547,472) |
| | | | | |
| **Basic and diluted loss per Share** | **$** | **(0.02)** | $ | (0.03) |
| | | | | |
| **Weighted average number of shares** | | **112,088,198** | | 103,443,836 |

### Revenue

Revenues earned during the six months ended January 31, 2023, were $1,015,220 as compared to $278,088 during the same period in fiscal 2022, representing a growth of approximately 3.7x year over year. The increase in revenues is due to customer acquisition and the installation of the Company's DSLs primarily within pharmacy and hardware stores. The Company has also increased recurring revenue from software agreements on previous hardware installations.

### Gross Profit / Loss

For the six-month period ended January 31, 2023, gross profit was $373,885 as compared to a gross loss of $77,848 during the same respective period. The gross profit increased due the acquisitions of margin-positive installations, and because of an increased proportion of revenues being earned through recurring software sales, which have a higher gross margin than hardware sales.

### Expenses

Advertising and sales promotion expenses decreased during the six-month period ended January 31, 2023, to $336,416 from $737,480 incurred during the six-month period ended January 31, 2022. The Company has made it a priority to reduce expenses during fiscal 2023. The costs incurred during the first half of the fiscal year 2023 primarily relate to raising awareness for product sales and financing activities.

Depreciation and amortization expenses are charged on the Company's fixed assets and right-of-use assets. The expenses remained consistent year-over-year due to the stable base of fixed assets and right-of-use assets, and minimal fixed asset additions.

Bank charges and interest for six months ended January 31, 2023, decreased to $334,822 from $378,337 during the six months ended January 31, 2022. The majority of interest charges are derived from interest on leases and interest on the long-term convertible debentures, amounting to $102,939 and $155,188, respectively during fiscal 2023 (2022 - $115,519 and $154,000, respectively). The Company also incurs standard bank charges while doing business.

The Company incurred accretion expense of $107,491 during the six months ended January 31, 2023, compared to $nil in the comparative period. Accretion expense is recorded on the long-and-short-term debts.

Office and general expenses increased to $473,692 in fiscal 2023 as compared to $424,178 in fiscal 2022. This is primarily due to the Company's scaling initiatives and building the support systems to accommodate the anticipated growth. During the second quarter of fiscal 2023, the Company undertook initiatives to decrease general expenses.

Professional fees incurred during fiscal 2023 were primarily associated with consulting, legal, accounting and reporting fees, and amounted to $292,438. Professional fees during fiscal 2022 amounted to $129,006. The increase is driven by additional consulting fees that are associated with the private placements completed during the first quarter of 2023.

Salaries and benefits were $567,834 during the six-month period ended January 31, 2023, as compared to $1,011,218 incurred during the same period in 2022. The salaries were lower as the Company replaced turnover in employees with consultants on an as needed basis as part of initiatives to reduce cash expenses.

Stock-based compensation reflects the fair value of stock options issued to directors, officers, employees and consultants of the Company. During the six-months ended January 31, 2023, 2,725,000 stock options were issued resulting in an expense of $324,223. During the six-months ended January 31, 2022, 2,025,000 stock options issued, resulting in an expense of $574,625.

## RESULTS OF OPERATIONS: SECOND QUARTER

| For the three months ended | | January 31, 2023 | | January 31, 2022 |
|---|---|---|---|---|
| **Revenue** | **$** | **586,803** | $ | 139,877 |
| **Costs of sales** | | **(380,299)** | | (126,885) |
| **Gross profit** | | **206,504** | | 12,992 |
| **Expenses** | | | | |
| Advertising and sales promotion | | **142,491** | | 352,717 |
| Depreciation and amortization | | **110,905** | | 110,569 |
| Bank charges and interest | | **130,480** | | 216,447 |
| Accretion expense | | **54,776** | | 0 |
| Office and general | | **124,782** | | 218,934 |
| Professional fees | | **48,871** | | 52,016 |
| Salaries and benefits | | **253,404** | | 510,729 |
| Stock-based compensation | | **324,223** | | 574,625 |
| **Total expenses** | | **1,189,932** | | 2,036,037 |
| **Net loss and comprehensive loss** | | **(983,428)** | | (2,023,045) |
| **Basic and diluted loss per Share** | **$** | **(0.01)** | $ | (0.02) |
| **Weighted average number of shares** | | **114,174,850** | | 103,673,797 |

### Revenue

Revenues earned during the three months ended January 31, 2023, were $586,803 as compared to $139,877 during the same period in fiscal 2022. The increase in revenues is due to customer acquisition and the installation of the Company's DSLs primarily within pharmacy and hardware stores. The Company has also increased recurring revenue from software agreements on previous hardware installations.

**Gross Profit / Loss**

For the three-month period ended January 31, 2023, gross profit was $206,504 as compared to $12,992 during the same respective period in Fiscal 2022. The gross profit increased due the acquisitions of margin-positive installations, and because of an increased proportion of revenues being earned through recurring software sales, which have a higher gross margin than hardware sales.

**Expenses**

Advertising and sales promotion expenses decreased during the three-month period ended January 31, 2023, to $142,491 from $352,717 incurred during the quarter ended January 31, 2022. The Company has made it a priority to reduce expenses during fiscal 2023. The costs incurred during the second quarter of the fiscal year 2023 primarily relate to raising awareness for product sales and financing activities.

Depreciation and amortization expenses are charged on the Company's fixed assets and right-of-use assets. The expenses remained consistent year-over-year due to the stable base of fixed assets and right-of-use assets, and minimal fixed asset additions.

Bank charges and interest for quarter ended January 31, 2023, decreased to $130,480 from $216,447 during the three months ended January 31, 2022. Most interest charges are derived from interest on leases and interest on the long-term convertible debentures, amounting to $50,715 and $77,555, respectively during the second quarter of fiscal 2023 (2022 - $59,011 and $77,000, respectively). The Company also incurs standard bank charges while doing business.

The Company incurred accretion expense of $54,776 during the three months ended January 31, 2023, compared to $nil in the comparative period. Accretion expense is recorded on the long-and-short-term debts.

Office and general expenses decreased to $124,782 in fiscal 2023 as compared to $218,934 in fiscal 2022. During the second quarter of fiscal 2023, the Company undertook initiatives to decrease general expenses.

Professional fees remained consistent during the second quarter of fiscal 2023 at $48,871 as compared to $52,016 incurred during the same quarter in fiscal 2022. Professional fees are primarily associated with consulting, legal, accounting and reporting fees.

Salaries and benefits were $253,404 during the three-month period ended January 31, 2023, as compared to $510,729 incurred during the same period in 2022. The salaries were lower as the Company replaced turnover in employees with consultants on an as needed basis as part of initiatives to reduce cash expenses.

Stock-based compensation reflects the fair value of stock options issued to directors, officers, employees and consultants of the Company. During the three-months ended January 31, 2023, 2,725,000 stock options were issued resulting in an expense of $324,223. During the three-months ended January 31, 2022, 2,025,000 stock options issued, resulting in an expense of $574,625.

**SUMMARY OF QUARTERLY RESULTS**

The following table summarizes comparative quarterly results for the last eight quarters.

| ($000's) | **Q2/23** | Q1/23 | Q4/22 | Q3/22 | Q2/22 | Q1/22 | Q4/21 | Q3/21 |
|---|---|---|---|---|---|---|---|---|
| Revenues | **587** | 428 | 248 | 628 | 140 | 138 | 232 | 42 |
| Net losses | **(983)** | (1,301) | (1,614) | (1,018) | (2,023) | (1,524) | (1,351) | (1,405) |
| Loss per share | **(0.01)** | (0.01) | (0.02) | (0.01) | (0.02) | (0.01) | (0.01) | (0.01) |

For a detailed explanation and analysis of quarterly results, refer to Management's Discussion and Analysis for each of the respective quarterly periods filed on www.sedar.com.

## TRANSACTIONS WITH RELATED PARTIES

**Amounts payable to related parties:**

The Company had the following amounts due to companies controlled by an officer of the Company:

| | | As at January 31, 2023 | | As at January 31, 2022 |
|---|---|---|---|---|
| Dana Industries | | **475,829** | | 213,661 |
| K Iccir Holdings Inc. | | **105,955** | | 150,955 |
| Segrob Holdings Inc. | | **75,000** | | - |
| **Total** | **$** | **656,784** | $ | 364,616 |

The amounts due to Dana Industries Inc., K Iccir Holdings Inc., and Segrob Holdings Inc. are unsecured, non-interest bearing, with no specific terms for repayment and are due on demand.

**Key management and director compensation**

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include members of the Board of Directors and executive officers. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries, bonuses, stock options or post-employment benefits. Compensation provided to current and key management are as follows:

| | Three months ended January 31, | | | | Six months ended January 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2023** | | 2022 | | **2023** | | 2022 |
| Short-term benefits | | **74,816** | | 106,560 | | **217,316** | | 311,198 |
| Long-term benefits | | **121,955** | | 227,012 | | **121,955** | | 227,012 |
| **Total** | **$** | **196,771** | $ | 333,572 | **$** | **339,271** | $ | 538,210 |

## LIQUIDITY AND CAPITAL RESOURCES

| **(Expressed in Canadian Dollars)** | **Three months ended January 31,** | | **Six months ended January 31,** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Cash used in operating activities | **(127,235)** | (1,674,886) | **(1,588,851)** | (3,588,319) |
| Cash from (used in) investing activities | **(3,533)** | (54,111) | **(3,533)** | (77,286) |
| Cash from financing activities | **93,119** | 631,698 | **1,601,045** | 4,076,764 |
| Cash, beginning of period | **60,171** | 1,514,437 | **13,861** | 5,979 |
| **Cash, end of period** | **22,522** | 417,138 | **22,522** | 417,138 |

The Company manages its capital with the following objectives:

i. To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
ii. To maximize shareholder, return through enhancing the share value.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be debt and equity. The Company manages capital through its financial and operational forecasting processes. Danavation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended January 31, 2023.

During the three months ended January 31, 2023, Danavation used $127,235 in operating activities. Cash used in operating activities relates to spending on activities necessary for business growth, including employees, marketing, and general operating expenses. Cash used in investing activities amounted to $3,533 for purchases of property, plant, and equipment. Net financing activities for the three-month period ended January 31, 2023, were a source of $93,119, primarily derived through advances from related parties.

During the six months ended January 31, 2023, Danavation used $1,588,851 in operating activities. Cash used in operating activities relates to spending on activities necessary for business growth, including employees, marketing, and general operating expenses. Cash used in investing activities amounted to $3,533 for purchases of property, plant, and equipment. Net financing activities for the six-month period ended January 31, 2023, were a source of $1,601,045, primarily generated through proceeds from the issuance of shares.

**OUTSTANDING SHARE DATA**

Danavation's authorized share capital consists of an unlimited number of Shares. The following table quantifies the number of issued and outstanding Shares and exercisable securities.

| | March 30, 2023 | January 31, 2023 | July 31, 2022 |
|---|---|---|---|
| Outstanding shares | 114,174,850 | 114,174,850 | 104,282,850 |
| Exercisable securities | | | |
| Warrants | 5,891,011 | 5,891,011 | 9,123,648 |
| Options | 8,550,000 | 8,550,000 | 5,700,000 |

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

**DIVIDEND POLICY**

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

**FINANCIAL RISK MANAGEMENT**

The Company has exposure to the following risks from its use of financial instruments. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**Credit Risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Management has mitigated the risk by using tier 1 financial institutions for managing its cash and has established communication channels with counterparties of the receivables for ongoing monitoring of their financial performance. In addition, the Company`s customer base is diversified with no reliance on any one client.

**Liquidity Risk**

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost.

The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As all the Company's financial debts are on a fixed interest rate, the impact of a change in interest rates will not impact the Company's income or cash flows during the contract term.

**Foreign Exchange Risk**

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated group determines its own functional currency.

The Company is exposed to certain currency risks in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. Management has mitigated the risk by negotiating the majority of contracts in Canadian dollars.

**RISKS AND UNCERTAINTIES**

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay in executing the Company's business plan. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

## MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The financial statements were prepared by the Company’s management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

## FORWARD LOOKING STATEMENTS

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as “forward-looking statements”). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects”, “is expected”, “anticipates”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends”, or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company’s business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company’s management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.