DANAVATION TECHNOLOGIES CORP.

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

FOR THE THREE AND NINE MONTHS ENDED
APRIL 30, 2023

DATED JUNE 27, 2023

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 nine months ended April 30, 2023, and 2022 (the "**Q3 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 Q3 Financial Statements and this MD&A have been approved by its Board of Directors. This MD&A is dated June 27, 2023.

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: Third Quarter 2023 To Date

On March 10, 2023, the Company announced a partnership with Macadoodles®, a US-based chain of liquor stores across Arkansas and Missouri. Following the first successful installation of our Digital Smart Labels™ for a Macadoodles' location in Missouri, the wine and liquor chain recognized the benefits and return on investment of Danavation's solution, which ultimately drove the decision to partner.

On April 4, 2023, the Company announced the appointment of Mr. Vivek Jain to its Board of Directors. Mr. Jain is an entrepreneur and venture capitalist. He has co-founded two tech startups – Project FANchise, and LOKO, and is currently a member of the Board of Directors of BDC. Mr. Jain has previously held senior finance positions at several companies, including CFO; and he has international professional experience, notably as Assistant Vice President with Enstar Group in Bermuda. Mr. Jain is a Chartered Accountant from the Institute of Chartered Accountants of Saskatchewan and holds a bachelor's degree in business administration from the University of Regina.

On April 10, 2023, the Company announced that it intends to complete a non-brokered private placement financing (the "**Private Placement**") through the issuance of up to 10,000,000 units (the "**Units**") at a price of $0.20 per Unit. Each Unit is comprised of one common share and one common share purchase warrant. The warrants are exercisable at a price of $0.30 for a period of twenty-four months from the closing date of the Private Placement.

On April 14, 2023, the Company announced the closing of the first tranche of the Private Placement through the issuance of 5,000,000 Units for aggregate gross proceeds of $1,000,000.

On May 15, 2023, the Company announced the closing of the final tranche the Private Placement through the issuance of 1,650,000 units for aggregate gross proceeds of $330,000.

New Installations

The Company has recently announced several installations across Canada and the United States.

On February 2, 2023, the Company announced that we have secured new contracted installations for our DSLs, including two locations for Big Bear Donair & Liquor in the Yukon. Big Bear Liquor & Donair is a liquor retailer and restaurant with two locations in Whitehorse, Yukon, each carrying a vast selection of domestic and imported wine, beer and spirits. With both locations also featuring an attached restaurant, Big Bear is a local gathering spot regularly frequented by members of the community. This is Danavation's first installation into the Yukon Territory, with both locations completed by mid-spring of 2023.

On February 2, 2023, the Company also announced that we have secured new contracted installations for our DSLs in a True Value Hardware location in California.

On February 16, 2023, the Company announced that we have secured new contracts pertaining to four additional installations of DSLs. The installations include:

- The continued roll-out of the second and third installations for Palma Pasta in the GTA, following on the heels of our success with the first installation in Mississauga. Through its initial installation, Palma Pasta found that our DSLs™ and PaaS solution helped to automate in-store operations and drove improved margins by increasing staff efficiency and reducing costs associated with inaccurate shelf pricing.
- CSR Building Supplies, the largest specialist drywall and finishing tool superstore in Canada. CSR has contracted to install Danavation's solution into its main location, with a second potential install predicated on the success of the first.
- The fourth contract is for a new customer operating a speciality appliance retailer in Ontario.

On April 5, 2023, the Company announced that we have entered into a tentative agreement for a roll-out of our DSLs into Peavey Mart locations across Canada, starting with an initial test of two installations in Red Deer, Alberta and London, Ontario. Peavey Mart is one of three brands owned by Peavey Industries LP, which also includes Ace Canada and MainStreet Hardware. The brands operating under this one umbrella offer an impressive array of products and services that cater to their customers' down-to-earth lifestyles, including agriculture, farm and ranch, pet, workwear, lawn and garden, hardware and homesteading supplies. With its 94 locations stretching from British Columbia to Nova Scotia, and ranging in size from 10,000-48,000 square feet, Peavey represents an ideal partner.

On May 2, 2023, the Company announced that our DSLs will be installed into the Ealton Timber Mart location in Ontario, representing the first Timber Mart location to be installed.

On May 17, 2023, the Company announced the installation of our DSLs into two Greco's Fresh Market Locations and one Nature's Emporium location.

- The Company is pleased to confirm a full roll-out of DSLs for both locations of Greco's Fresh Market in Thornhill and Richmond Hill, Ontario, further expanding Danavation's reach into the retail food segment. The first location is expected to be completed by mid to late summer 2023.
- We are pleased to be outfitting the first of up to seven Nature's Emporium locations in Ontario with its DSLs, building on the Company's previous installations within the retail foods segment. This first Nature's Emporium installation is expected to be completed by the end of summer and depending on success, could lead to Natures Emporium outfitting an additional six locations.

On May 31, 2023, the Company announced a multi-store contract to install Danavation's DSLs into eight franchised Pitou Minou & Compagnons ("**PMC**") locations in Quebec that offer Global Pet Foods' products. With nearly 40 storefronts currently operating under the PMC (Global Pet Foods) banner in Quebec, and more locations opening up every year, Danavation is afforded the potential for future growth with this brand moving forward. The first installation is expected to be completed by early August.

On June 22, 2023, the Company announced a full rollout of Danavation's DSLs into all six Nutrinor hardware store locations operated under a large Quebec based retailer. The first installation is expected to be completed by early August with subsequent stores being installed thereafter.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the three months ended:	**April 30, 2023**	April 30, 2022	Change	Change
Total revenues	**365,207**	628,114	**(262,907)**	42%
Net income / (loss)	**(1,374,602)**	(1,017,715)	**(356,887)**	35%
Weighted average shares outstanding	**115,119,294**	104,201,590	**10,917,704**	10%

For the nine months ended:	**April 30, 2023**	April 30, 2022	Change	Change
Total revenues	**1,380,427**	906,202	**474,225**	52%
Net income / (loss)	**(3,659,346)**	(4,565,187)	**905,841**	20%
Weighted average shares outstanding	**113,079,817**	103,530,856	**9,548,961**	9%

As at:	**April 30, 2023**	April 30, 2022	Change	Change
Cash	**107,379**	13,861	**93,518**	675%
Total assets	**2,990,405**	3,453,505	**(463,100)**	13%
Total liabilities	**7,501,849**	7,959,381	**(457,532)**	6%

For the three and nine months ended April 30, 2023, and 2022, total revenues decreased year over year by $262,907 and increased year over year by $474,225, respectively. Sales during fiscal 2023 are expected to significantly improve primarily due to expansions into new markets and acquisitions of new customers. However, the timing of revenues recognized depends on the timing of installations and product delivery, leading to a dip year over year in the third quarter.

Year-to-date net losses improved by $905,841 from a loss of $4,565,187 during the nine months ended April 30, 2022, to $3,659,346 during the nine months ended April 30, 2023, due to a combination of increased revenues with decreases in expenses. Net losses for the third quarter decreased by $356,887 from a loss of $1,017,715 incurred during the third quarter of fiscal 2022 to $1,374,602 incurred during the third quarter of fiscal 2023 primarily due to a decrease in revenues resulting from the timing of installations on contracts.

Cash was $107,379 on April 30, 2023, an increase of $93,518 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 nine months ended		April 30, 2023		April 30, 2022
Revenue	**$**	**1,380,427**	$	906,202
Costs of sales		**(882,367)**		(757,586)
Gross profit		**498,060**		148,616
Expenses				
Advertising and sales promotion		**454,064**		998,937
Depreciation and amortization		**332,658**		325,588
Bank charges and interest		**492,983**		423,482
Accretion expense		**162,532**		136,148
Office and general		**821,200**		590,338
Professional fees		**479,896**		179,085
Salaries and benefits		**1,061,301**		1,485,600
Stock-based compensation		**352,772**		574,625
Total expenses		**4,157,406**		4,713,803
Net loss and comprehensive loss		**(3,659,346)**		(4,565,187)
Basic and diluted loss per Share	**$**	**(0.03)**	$	(0.04)
Weighted average number of shares		**113,079,817**		103,530,856

Revenue

Revenues earned during the nine months ended April 30, 2023, was $1,380,427 as compared to $906,202 during the same period in fiscal 2022, representing a growth of approximately 1.5x year over year. The increase in revenues is due to customer acquisition and the installation of the Company's DSLs primarily within grocery, pharmacy, and hardware stores. The Company has also increased recurring revenue from software agreements on previous hardware installations.

Gross Profit / Loss

For the nine-month period ended April 30, 2023, gross profit was $498,060 as compared to $148,616 during the same respective period in 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 significantly during the nine-month period ended April 30, 2023, to $454,064 from $998,937 incurred during the nine-month period ended April 30, 2022. The Company has made it a priority to reduce expenses during fiscal 2023. The costs incurred during fiscal 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 nine months ended April 30, 2023, increased to $492,983 from $423,482 during the nine months ended April 30, 2022. Most interest charges are derived from interest on leases and interest on the long-term convertible debentures, amounting to $151,463 and $230,367, respectively during fiscal 2023 (2022 - $130,532 and $216,866, respectively). The Company also incurs standard bank charges while doing business.

The Company incurred accretion expense of $162,532 during the nine months ended April 30, 2023, compared to $136,148 in the comparative period. Accretion expense is recorded on the long-and-short-term debts.

Office and general expenses increased to $821,200 in fiscal 2023 as compared to $590,338 in fiscal 2022. This is primarily due to the Company's scaling initiatives and building the support systems to accommodate the anticipated growth.

Professional fees incurred during fiscal 2023 were primarily associated with consulting, legal, accounting and reporting fees, and amounted to $479,896. Professional fees during fiscal 2022 amounted to $179,085. The increase is driven by additional professional fees that are associated with the private placements completed during fiscal 2023.

Salaries and benefits were $1,061,301 during the nine-month period ended April 30, 2023, as compared to $1,485,600 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 nine-months ended April 30, 2023, 2,975,000 stock options were issued resulting in an expense of $352,772. During the nine-months ended April 30, 2022, 2,025,000 stock options issued, resulting in an expense of $574,625.

RESULTS OF OPERATIONS: SECOND QUARTER

For the three months ended		April 30, 2023		April 30, 2022
Revenue	**$**	**365,207**	$	628,114
Costs of sales		**(241,032)**		(401,650)
Gross profit		**124,175**		226,464
Expenses				
Advertising and sales promotion		**117,648**		261,457
Depreciation and amortization		**110,945**		110,808
Bank charges and interest		**158,161**		131,961
Accretion expense		**55,041**		49,332
Office and general		**347,508**		166,160
Professional fees		**187,458**		50,079
Salaries and benefits		**493,467**		474,382
Stock-based compensation		**28,549**		-
Total expenses		**1,498,777**		1,244,179
Net loss and comprehensive loss		**(1,374,602)**		(1,017,715)
Basic and diluted loss per Share	**$**	**(0.01)**	$	(0.01)
Weighted average number of shares		**115,119,294**		104,201,590

Revenue

Revenues earned during the three months ended April 30, 2023, were $365,207 as compared to $628,114 during the same period in fiscal 2022. The decrease in revenues is due to the timing of installations on new orders.

Gross Profit / Loss

For the three-month period ended April 30, 2023, gross profit was $124,175 as compared to $226,464 during the same respective period in Fiscal 2022. The gross profit decreased with the revenues as described above.

Expenses

Advertising and sales promotion expenses decreased during the three-month period ended April 30, 2023, to $117,648 from $261,457 incurred during the quarter ended April 30, 2022. The Company has made it a priority to reduce expenses during fiscal 2023. The costs incurred during the third 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 April 30, 2023, increased to $158,161 from $131,961 during the three months ended April 30, 2022. Most interest charges are derived from interest on leases and interest on the long-term convertible debentures, amounting to $48,524 and $75,179, respectively during the third quarter of fiscal 2023 (2022 - $15,013 and $75,101, respectively). The Company also incurs standard bank charges while doing business.

The Company incurred accretion expense of $55,041 during the three months ended April 30, 2023, compared to $49,332 in the comparative period. Accretion expense is recorded on the long-and-short-term debts.

Office and general expenses increased to $347,508 during the third quarter of fiscal 2023 as compared to $166,160 in fiscal 2022. This is primarily due to the Company's scaling initiatives and building the support systems to accommodate the anticipated growth.

Professional fees incurred during the three months ended April 30, 2023, were primarily associated with consulting, legal, accounting and reporting fees, and amounted to $187,458. Professional fees during fiscal 2022 amounted to $50,079. The increase is driven by additional professional fees that are associated with the private placements completed during fiscal 2023.

Salaries and benefits were $493,467 during the three-month period ended April 30, 2023, as compared to $474,382 incurred during the same period in 2022. This is primarily due to the Company's scaling initiatives and building the support systems to accommodate the anticipated growth.

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 April 30, 2023, 250,000 stock options were issued resulting in an expense of $28,549. During the three-months ended April 30, 2022, no stock options were issued.

SUMMARY OF QUARTERLY RESULTS

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

($000's)	**Q3/23**	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
Revenues	**365**	587	428	248	628	140	138	232
Net losses	**(1,375)**	(983)	(1,301)	(1,614)	(1,018)	(2,023)	(1,524)	(1,351)
Loss per share	**(0.01)**	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(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 April 30, 2023	As at April 30, 2022
Dana Industries	**480,829**	213,661
K Iccir Holdings Inc.	**146,353**	150,955
Segrob Holdings Inc.	**39,683**	-
Total	**$ 666,865**	$ 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 April 30,		Nine months ended April 30,	
	2023	2022	**2023**	2022
Short-term benefits	**155,329**	335,917	**372,645**	647,115
Long-term benefits	**28,549**	8,419	**150,504**	235,431
Total	**$ 183,878**	$ 344,336	**$ 523,149**	$ 882,546

LIQUIDITY AND CAPITAL RESOURCES

(Expressed in Canadian Dollars)	**Three months ended April 30,**		**Nine months ended April 30,**	
	2023	2022	**2023**	2022
Cash used in operating activities	**(869,798)**	(580,559)	**(2,458,649)**	(4,168,878)
Cash from (used in) investing activities	**-**	(3,791)	**(3,533)**	(81,077)
Cash from financing activities	**954,655**	186,274	**2,555,700**	4,263,038
Cash, beginning of period	**22,522**	417,138	**13,861**	5,979
Cash, end of period	**107,379**	19,062	**107,379**	19,062

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 nine months ended April 30, 2023.

During the three months ended April 30, 2023, Danavation used $869,798 in operating activities. Cash used in operating activities relates to spending on activities necessary for business growth, including inventory purchases, employees, marketing, and general operating expenses. Cash used in investing activities amounted to $nil during the three-month period ended April 30, 2023. Net financing activities for the three-month period ended April 30, 2023, were a source of $954,655, primarily generated through proceeds from the issuance of equity.

During the nine months ended April 30, 2023, Danavation used $2,458,649 in operating activities. Cash used in operating activities relates to spending on activities necessary for business growth, including inventory purchases, 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 nine-month period ended April 30, 2023, were a source of $2,555,700, primarily generated through proceeds from the issuance of equity.

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.

	June 27, 2023	April 30, 2023	July 31, 2022
Outstanding shares	120,824,850	119,174,850	104,282,850
Exercisable securities			
Warrants	10,891,011	10,891,011	9,123,648
Options	8,800,000	8,800,000	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.