
DANAVATION TECHNOLOGIES CORP.

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

**FOR THE THREE AND SIX MONTHS ENDED
JANUARY 31, 2024**

DATED MARCH 28, 2024

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 Consolidated Financial Statements and the notes thereto for the year ended July 31, 2023 and 2022 (the "**Consolidated 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 28, 2024.

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. On October 20, 2022, the Company moved jurisdictions to Ontario by articles of continuance. 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.

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.

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 2024:

- 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 AND GOING CONCERN: First Quarter 2024 To Date

Danavation's ability to continue as a going concern is dependent on its ability to successfully generate cash flows from operations or obtain additional funding from external resources to continue operations. The Company has available cash of \$nil and is currently seeking additional funding through multiple sources. The Company has significantly reduced operations in an effort to preserve cash, including temporarily closing its office, laying off staff and delaying the purchase of hardware for customer installations.

On November 14, 2023, Danavation announced its intention to extend the term of the convertible debentures closed on August 17, 2021 to allow the Company more time to repay the debentures in an effort to allow it to focus on the short-term day to day growth of the business. The key features of the proposed amendments are: (i) the maturity date being extended from August 17, 2024 to September 30th, 2025; (ii) the conversion price being amended from \$0.45 to \$0.20; (iii) the forced conversion price being reduced from \$0.75 to \$0.35; and (iv) removing the 2% prepayment penalty. The Company received written approval by more than 66% of the Debenture holders by way of a written resolution and is working with the trustee to complete the amendments.

On November 20, 2023, Danavation announced that it intends to complete a non-brokered private placement for gross proceeds of up to US\$900,000 through the issuance of up to 9,000,000 units at a price of US\$0.10 per unit. Each unit is comprised of one (1) common share in the capital of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one (1) common share to be issued on the due exercise of the warrant at a price of US\$0.15 per warrant for twenty-four (24) months from the date of the closing of the private placement.

New Installations and Partnerships

On December 20, 2023, Danavation announced that we have secured multiple installations for our innovative Digital Smart Labels, including North Carolina's Grady-White Boats, Clearway Group in Ontario, Macadoodles in Nebraska, and Eaton Industries Canada.

On December 29, 2023, Danavation announced strategic partnerships with brands such as Grady White Boats, MPL Group, Greco Fresh Markets and more in an effort to expand its footprint, not only in the hardware industry but also in warehousing and manufacturing. Additionally, Danavation announced the expansion of its sales team in western regions, with a particular emphasis on the liquor, home renovation and hardware industries in Alberta, British Columbia, and Yukon.

On February 2, 2024, Danavation unveiled the establishment of Danavation West to focus on enhancing support and expertise in the western regions, particularly in Alberta, British Columbia, and Yukon. The dedicated team at Danavation West aims to bring specialized knowledge to the liquor, cannabis, and grocery industries. Additionally, Danavation West has forged a strategic partnership with Barnet POS, a distinguished player boasting a substantial customer base exceeding 500 customers, spanning from cannabis to liquor.

On February 21, 2024, Danavation announced a strategic partnership with UBI Communications, a renowned innovator in digital signage solutions. This partnership will integrate Danavation's Digital Smart Labels into UBI Communications' portfolio, offering enhanced digital signage solutions to a diverse range of industries, including grocery, healthcare, automotive, convenience, cannabis, and motorsport.

On February 26, 2024, Danavation announced a partnership with Main Event Entertainment Group Ltd, a renowned name synonymous with world-class events in Jamaica. Main Event specializes in managing both corporate and private events of varying sizes and offers departments including audio, visual, lighting, and digital signage. Through this partnership, Main Event will help bring Danavation's Digital Smart Label system to retailers in Jamaica and the Caribbean island areas. In addition, Danavation announced that it signed another True Value retailer in the California area, with deployment expected from Q3 to Q4.

On March 13, 2024, Danavation announced the signing of six new stores, consisting of four stores with a prominent hardware Co-Op in Tennessee, one store with Macadoodles in Oklahoma and one store with True Value in Hawaii.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the six months ended January 31,	2024	2023	2022
Revenue	\$ 463,090	\$ 1,015,220	\$ 278,088
Costs of sales	(261,645)	(641,335)	(355,936)
Gross profit	201,445	373,885	(77,848)
Expenses			
Salaries and benefits	765,964	567,834	1,011,218
Office and general	614,689	766,130	553,184
Financing costs	480,667	442,313	378,337
Depreciation and amortization	201,284	221,713	214,780
Advertising and sales promotion	148,604	336,416	737,480
Stock based compensation	64,753	324,223	574,625
Total expenses	2,275,961	2,658,629	3,469,624
Net loss and comprehensive loss	\$ (2,074,516)	\$ (2,284,744)	\$ (3,547,472)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.03)
Weighted average number of shares outstanding, basic and diluted	120,824,850	112,088,198	103,443,836
For the three months ended January 31,	2024	2023	2022
Revenue	\$ 19,005	\$ 586,803	\$ 139,877
Costs of sales	(14,966)	(380,299)	(126,885)
Gross profit	4,039	206,504	12,992
Expenses			
Salaries and benefits	312,762	253,404	510,729
Office and general	354,994	173,653	270,950
Financing costs	261,754	185,256	216,447
Depreciation and amortization	96,859	110,905	110,569
Advertising and sales promotion	39,965	142,491	352,717
Stock based compensation	64,753	324,223	574,625
Total expenses	1,131,087	1,189,932	2,036,037
Net loss and comprehensive loss	\$ (1,127,048)	\$ (983,428)	\$ (2,023,045)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding, basic and diluted	120,824,850	114,174,850	103,673,797

As at January 31,	2024	2023	2022
Total assets	\$ 2,494,546	\$ 3,708,424	\$ 4,833,387
Total current liabilities	4,441,629	2,704,533	1,817,106
Total non-current liabilities	5,252,882	5,169,282	5,084,489

RESULTS OF OPERATIONS

Revenue

For the six months ended January 31, 2024, revenue decreased by \$552,130 or 54% over the prior period. A small increase in the first quarter was offset by a large decrease in the second quarter.

For the three months ended January 31, 2024, revenue decreased by \$567,798 or 97% over the prior period. The decrease is due to a delay in obtaining and installing hardware in the second quarter in order to preserve cash while Danavation seeks to obtain additional financing.

Gross Profit

For the six months ended January 31, 2024, gross profit decreased by \$172,440 or 46% over the prior period. A small increase in the first quarter was offset by a large decrease in the second quarter.

For the three months ended January 31, 2024, gross profit decreased by \$202,465 or 98%. The decrease is due to a delay in obtaining and installing hardware in the second quarter in order to preserve cash while Danavation seeks to obtain additional financing.

Expenses

Salaries and benefits increased by \$198,130 or 35% for the six months and \$59,358 or 23% for the three months ended January 31, 2024 compared to the prior periods. Danavation expanded its headcount including its new Danavation West sales team to support the signing of new customers. Management expects a large temporary decrease in salaries and benefits in the third quarter in order to preserve cash while it seeks to obtain additional financing.

Office and general expenses decreased \$151,441 or 20% for the six months ended January 31, 2024. Office and general expenses increased \$181,341 or 104% for the three months ended January 31, 2024 compared to the prior period. The increase includes a writedown of old receivable amounts that is not expected to recur in future periods.

The following tables provide further details for the Company's office and general expenses:

For the six months ended January 31,	2024	2023
Office expenses	\$ 279,561	\$ 272,013
Consulting fees	94,742	140,143
Accounting and legal fees	42,881	152,295
Travel expenses	14,504	53,201
Trade show	37,626	73,115
Insurance fees	24,868	49,370
Utilities	13,617	13,754
Vehicle expenses	15,222	13,661
Foreign exchange	(1,693)	2,419
Bad debts expense (recovery)	93,361	(3,841)
Total office and general	\$ 614,689	\$ 766,130

For the three months ended January 31,	2024	2023
Office expenses	\$ 116,129	\$ 51,133
Consulting fees	64,295	12,318
Accounting and legal fees	32,365	35,124
Travel expenses	4,831	14,848
Trade show	9,724	9,000
Insurance fees	12,434	40,310
Utilities	6,559	7,394
Vehicle expenses	2,368	8,986
Foreign exchange	(4,250)	(5,460)
Bad debts expense (recovery)	110,539	-
Total office and general	\$ 354,994	\$ 173,653

Financing costs consist of interest and accretion expenses related to the company's outstanding debt and lease obligations. Financing costs increased \$38,354 or 9% for the six months and \$76,498 or 41% for the three months ended January 31, 2024 compared to the prior periods. In August, October, December and January the Company issued a series of short term bridge loans for aggregate principal of \$272,024. The loans have effective interest rates of up to 251% per year and the Company expects to repay them in Q3. The Company expects that financing costs will slowly increase in future periods as long term debts are accreted to their face value.

The following tables provide further details for the Company's financing costs:

For the six months ended January 31,	2024	2023
Interest expense	\$ 355,499	\$ 334,822
Accretion expense	125,168	107,491
Total financing costs	\$ 480,667	\$ 442,313

For the three months ended January 31,	2024	2023
Interest expense	\$ 197,970	\$ 130,480
Accretion expense	63,784	54,776
Total financing costs	\$ 261,754	\$ 185,256

Depreciation and amortization expenses are charged on the Company's fixed assets and right-of-use assets. The expenses decreased slightly from prior periods due to the expiration of office equipment leases that were not renewed in an effort to preserve cash.

Advertising and sales promotion expenses relate to raising awareness for product sales and financing activities. These costs decreased \$187,812 or 56% for the six months and \$102,526 or 72% for the three months ended January 31, 2024 compared to prior periods. The decreases are due to an effort by the Company to reduce discretionary expenses and preserve cash while Danavation seeks to obtain additional financing.

On December 8, 2023 Danavation granted 2,350,000 stock options in order to reward and motivate staff as part of a regular annual program. The stock options were valued using a Black-Scholes option pricing model at \$64,753.

SUMMARY OF QUARTERLY RESULTS

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

(\$000's)	Q2/24	Q1/24	Q4/23	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22
Revenues	19	444	700	365	587	428	248	628
Net losses	(1,127)	(947)	(896)	(1,375)	(983)	(1,301)	(1,614)	(1,018)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)

In previous quarters revenues and net income were generally trending higher although the timing of customer installations was irregular. There was a large drop in revenue and net income in the current quarter in order to preserve cash while Danavation seeks to obtain additional financing.

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, 2024	July 31, 2023
Dana Industries	\$ 591,553	\$ 571,553
K Iccir Holdings Inc.	216,601	160,645
Total due to related parties	\$ 808,154	\$ 732,198

Amounts due to Dana Industries are unsecured, non-interest bearing, have no specific terms for repayment and are due on demand. Amounts due to K Iccir Holdings Inc. are unsecured, bear interest at 8%, have 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:

For the six months ended January 31,	2024	2023
Short-term benefits	\$ 245,755	\$ 217,316
Long-term benefits	23,421	121,955
Total key management and director compensation	\$ 269,176	\$ 339,271

For the three months ended January 31,	2024	2023
Short-term benefits	\$ 107,917	\$ 74,816
Long-term benefits	23,421	121,955
Total key management and director compensation	\$ 131,338	\$ 196,771

LIQUIDITY AND CAPITAL RESOURCES

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.

As at January 31, 2024, the Company had cash of \$nil, current liabilities of \$4,441,629 and a working capital deficit of \$3,877,819. As a result, there is material uncertainty that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

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, 2024.

For the six months ended January 31,	2024	2023
Cash used in operating activities	\$ (71,448)	\$ (1,588,851)
Cash from (used in) investing activities	-	(3,533)
Cash from financing activities	52,926	1,601,045
Cash, beginning of period	18,522	13,861
Cash, end of period	\$ -	\$ 22,522

During the six months ended January 31, 2024, excluding changes in working capital balances, Danavation used \$1,679,118 of cash for operating activities, compared to \$1,635,158 in 2023. Cash used in operating activities relates to spending on activities necessary for business growth, including employees, marketing, and general operating expenses.

Danavation's ability to continue operations remains dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer; and 3) secure new customers that provide the Company with adequate funds to cover projected expenditures (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and is unable to raise additional financing, the Company will have to consider strategic alternatives, which may include, among other things, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or the sale of the Company.

DEBT OBLIGATIONS

Danavation entered into an agreement with Computershare Trust Company of Canada ("Computershare") on August 17, 2021, in which the Company issued unsecured convertible subordinated debentures in the aggregate amount of \$3,850,000. The debentures bear interest at 8.00% per annum, payable quarterly, and mature on August 17, 2024.

On March 10, 2023, Danavation issued a promissory note in the amount of \$150,000. The debt bears interest at a rate of 15%, will be repaid in twelve equal monthly payments starting January 31, 2024, and is guaranteed by two directors.

On August 25, 2023, Danavation entered into an agreement with a merchant lender to borrow \$80,000. On October 30, 2023, Danavation borrowed an additional \$47,200 and on January 17, 2024, Danavation borrowed an additional \$35,286 from the same lender. The debt is secured by the Company's receivables, has an effective interest rate of 218% and will be repaid in daily payments of \$1,399.

On October 3, 2023, Danavation entered into an agreement with a merchant lender to borrow \$74,005. On December 28, 2023, Danavation borrowed an additional \$35,533 from the same lender. The debt is secured by the Company's receivables, has an effective interest rate of 251% and will be repaid in daily payments of \$1,242.

Danavation entered lease arrangements for a building, warehouse, office equipment, and other assets as part of its daily operations. Building and warehouse leases include the rental of office space and storage facilities. These leases vary in length and are typically over 5 years and may include several renewal options. Office equipment leases include the rental of machinery and computer hardware. These leases vary in duration and structure and typically do not exceed 10 years.

The following table sets out the next three years and thereafter of payments of Danavation's debt obligations:

For the year ended July 31,	2024	2025	2026	After 3 yrs
Accounts payable and accrued liabilities	\$ 2,370,496	\$ -	\$ -	\$ -
Short-term debt	248,898	-	-	-
Convertible debt	-	-	3,704,853	-
Lease liabilities	73,461	170,287	191,891	1,268,876
Total debt obligations	\$ 2,692,855	\$ 170,287	\$ 3,896,744	\$ 1,268,876

OUTSTANDING SHARE DATA

Danavation's authorized share capital consists of an unlimited number of common shares. The following table quantifies the number of issued and outstanding shares and exercisable securities and their average exercise prices.

As at	January 31, 2024	WA Price	July 31, 2023	WA Price
Outstanding shares	120,824,850		120,824,850	
Exercisable securities				
Warrants	12,119,900	\$ 0.32	12,541,011	\$ 0.32
Options	9,000,000	\$ 0.31	8,200,000	\$ 0.37

OFF-BALANCE SHEET ARRANGEMENTS

Danavation 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Areas requiring estimates and judgements are as follows:

Inventory

The cost of inventories is written down to the net realizable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they

have become wholly or partially obsolete, or if their selling prices have declined. When the NRV of an item of inventory is less than the carrying amount, the excess is written off immediately in the profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Company carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow-moving items so as to write off or write down inventories to their NRVs.

Estimated useful lives and depreciation and amortization of property, plant, and equipment

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating the fair value of Level 2 investments, the Company uses key inputs including the share price of underlying securities, annualized volatility, the risk-free interest rate, the dividend yield, and the expected life of the security.

Inputs when using Black-Scholes valuation model

Danavation uses the Black-Scholes valuation model to value its options and warrants. The model requires management to estimate input variables including volatility, forfeiture rates, estimated life and market rates.

Discount rates

The discount rates used to calculate net present value of the convertible debentures are based on management's best estimates of an approximate industry peer group weighted average cost of capital and management's best estimate of the Company's risk levels.

Changes in the general economic environment could result in significant changes to this estimate.

Convertible instruments

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Future changes in accounting policies

There are currently no new accounting standards issued but not yet effective that impact the Company's financial statements.

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.

As of January 31, 2024, the Company has cash of \$nil, current liabilities of \$4,441,629 and a working capital deficit of \$3,877,819. As a result, there is material uncertainty that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

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.