SIXTH WAVE INNOVATIONS INC.

(Formerly Atom Energy Inc.)

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial results of Sixth Wave Innovations Inc. (formerly Atom Energy Inc.) ("Sixth Wave" or the "Company") for the year ended August 31, 2020 and 2019. The information provided herein should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended August 31, 2020 which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, possible expansion of applications for the Company's technology, plans for optimization of a pilot Affinity™ system, development of the Company's AMIP's technology, and requirements for additional capital, sources and timing of additional financing.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; the availability of financing opportunities; legal and regulatory risks inherent in the mining and cannabis industries; risks associated with economic conditions, including the rapidly evolving effects of the COVID-19 pandemic; negotiation of final agreement terms with counterparties; dependence on management and risk of currency fluctuations.

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur. However, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date such statements were made and readers advised to consider such forward-looking statements in light of the risks set forth above.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

DATE OF REPORT

The effective date of this report is December 29, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

OVERVIEW OF MERGER TRANSACTION

The Company, and a wholly-owned subsidiary, ("Merger Subco"), entered into an agreement and plan of merger with 6th Wave Innovations Corp ("6WIC"). and Affinity Nanotechnology Inc., as securityholders' representative ("Affinity Nano") on September 7, 2018, (as amended, the "Merger Agreement"). 6WIC is a corporation incorporated under the laws of the state of Delaware on July 3, 2013 and is domiciled in the United States. 6WIC's office and registered and records office is 615 Arapeen Drive, Suite 303, Salt Lake City, UT 84108. The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX.

On August 26, 2019, the Company changed its name from Atom Energy Inc. to Sixth Wave Innovations Inc.

On January 31, 2020, pursuant to the Merger Agreement, Merger Subco merged with and into 6WIC by way of a "triangular merger" (the "Merger Transaction") pursuant to the laws of Delaware, and the issued and outstanding shares of Subsidiary were exchanged for securities of the Company and cash. As a result, 6WIC became a wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, the Company issued 14,291,056 Common Shares and US$1.2 million to the former holders of 6WIC securities, and issued 3,928,043 warrants to purchase Common Shares in exchange for outstanding 6WIC warrants. The boards of the Company and 6WIC each unanimously approved the terms of the Merger Transaction. Further details pertaining to the Merger Transaction are discussed below in the Merger Transaction section.

As part of the Merger Transaction, the board of directors of the Company was reconstituted to consist of Messrs. Jonathan Gluckman (formerly Chief Executive Officer and co-founder of 6WIC), John Veltheer (formerly Chief Executive Officer of the Company), James McKenzie, Peter Manuel and Scot Robinson. Mr. Gluckman was appointed Chief Executive Officer, Mr. Veltheer was appointed Chief Financial Officer and Mr. Sherman McGill, co-founder of 6WIC, was appointed Executive Vice President.

Following completion of the Merger Transaction on January 31, 2020, the Company's common shares were listed on the Canadian Securities Exchange ("CSE") in the diversified industries sector and commenced trading on February 11, 2020 under the ticker symbol 'SIXW'.

DESCRIPTION OF BUSINESS

About Sixth Wave

Sixth Wave is a North American based nanotechnology Company specializing in molecular engineering, materials extraction, detection, and purification. Sixth Wave began as a manufacturer of detection devices for homeland security applications.

Sixth Wave is in the process of commercializing its Affinity cannabinoid purification technology as well as IXOS, a line of extraction polymers for the gold mining industry. The Company is in the research and development stages of a rapid diagnostic test for viruses under the AMIPs label. The Company has patent applications and protections in 40+ countries.

Sixth Wave's technology uses Molecular Imprinted Polymers ("MIPs"), which consist of durable polymer beads imprinted with adsorption micropores which precisely match the molecular geometry of organic materials such as cannabinoids and inorganic materials such as metals. The Company's area of expertise involves the design and manufacture MIP's capable of detecting and recovering valuable substances to the parts per billion level. The Company maintains a website at www.sixthwave.com.

Affinity™

Technology Overview

The Company's Affinity™ technology is engineered to detect and appropriate cannabinoids (the "Affinity Technology"). The Affinity Technology platform (the "Affinity System") has been designed to replace existing separation and isolation technologies.

Business Development

On February 20, 2020, the Company announced the results of pilot scale testing of its Affinity Technology for the remediation of THC from CBD distillate with a North American hemp processer. The Company's development process comprised of over 85 experiments with more than 30 data elements analyzed per experiment. The resultant 2,550 data elements have furnished a broad sample set for the determination of operating parameters for optimized system performance. The results of the in-house testing provided a comparative analysis of the Company's technology for remediation capabilities when compared directly to distillate that was remediated using traditional chromatography. The CBD distillate generated by the Company's Affinity™ Technology contained approximately half the amount of undesirable THC relative to that which was produced by chromatography.

On March 12, 2020, the Company filed patent application No. PCT/US2020/022427 for the use of molecularly imprinted polymers for extraction of cannabinoids and uses thereof. This patent application covers the Company's Affinity molecularly imprinted polymer technology that is being used in the Company's Affinity cannabinoid extraction systems.

On April 2, 2020, the Company announced the execution of a Memorandum of Understanding (the "MOU") with Green Envy, LLC ("Green Envy") for the purchase of a minimum of three Affinity Systems.

The MOU provides Green Envy with a twelve-month exclusivity period to utilize the Affinity System for the cannabis market within the states of Michigan and Massachusetts. The production of products derived from hemp is not included in the twelve-month exclusivity period.

The Company also signed a hardware loan and services agreement with Green Envy (the "Service Agreement"), Sixth Wave will prepare an initial Affinity System for delivery, installation and commissioning at a Green Envy facility in Riverdale, Michigan. Under the terms of the Service Agreement, the parties will collaborate on the optimization of the Affinity System, including the documentation of standard operating procedures for the production of full spectrum distillate. The commissioning process of the initial Affinity System will include the validation of capacity and selectivity, as well as production rates in full production mode. The Company is scheduled to deliver to Green Envy's first Affinity System to Green Envy's facility in Riverdale, Michigan in Q1 of 2021.

On May 26, 2020, the Company announced a strategic alignment with Natural Ascent Consulting ("NAC") and the signing of a hardware loan and production agreement, which will allow NAC to field test and contribute to the commercialization process of the Company's Affinity System for the remediation of non-compliant hemp and cannabis extracts and standard extraction of cannabinoids from other crude extracts. The contract engages NAC in cannabinoid production using the Affinity System, and establishes a Southern California based production hub for the Company in one of the worlds largest cannabis markets. NAC will also use their lab capability with Sixth Wave to trial multiple production applications for the Affinity System including continued validation of the Affinity System's capability to remediate failed extracts for heavy metals, pesticides, and possibly the chemicals associated with fire retardants that are found in both hemp and cannabis extracts due to their widespread use to combat forest fires.

On June 9, 2020, the Company announced the execution of a Collaboration Supply Agreement (the "Supply Agreement") signed on June 5, 2020 between the Company and PuriTech, LLC ("PuriTech").

Under the terms of the Supply Agreement, PuriTech will assist in the manufacturing and design of the Company's Affinity System by contributing PuriTech's patented ION-IX system. ION-IX uses a single, multi-port distribution valve to create an optimized process system for continuous, countercurrent ion exchange. PuriTech's ION-IX system has been used in water treatment, hydrometallurgy, sugar treatment, recovery of chemicals and a wide variety of ion exchange applications where very low waste or the recovery of high-value components is required. Equipment purchased under the Supply Agreement will adhere to EU-GMP and US/Canadian – GMP compliance standards allowing the Company to provide a compliance package to its customers to obtain their own certifications. The Company will leverage the baseline operating specifications and capabilities of the ION-IX to optimize the use of the Company's patent pending molecularly imprinted polymer technology for the isolation and separation of cannabinoids.

On July 9, 2020, the Company announced that it has executed a Letter of Intent ("LOI") to pursue a strategic partnership with Advanced Extractions Systems Inc. ("AESI") of Prince Edward Island, Canada for the purpose of designing and manufacturing commercial scale Affinity Systems for the separation of cannabinoids for isolates and distillates using the Company's Affinity Technology.

Under the terms of the non-binding LOI, AESI will accelerate commercialization building upon the existing Affinity System which was designed in collaboration with PuriTech. Additionally, AESI will produce Affinity Systems for the North American market. AESI will also provide ongoing support to field and service equipment installed in North America and other countries.

IXOS® Technology Overview and Business Developments

IXOS® – The Company's IXOS® extraction products are initially focused on the increased efficiency and recovery for gold processors. IXOS® beads are engineered to extract gold-cyanide or gold-chloride molecules from mining leach solutions. The IXOS® MIP has been designed to replace activated carbon in gold extraction circuits. IXOS® offers numerous potential advantages over legacy technology and methods, including: higher gold recoveries and purities, lower capital and operating costs, higher levels of selectivity and rejection of contaminants, and faster elution times.

On February 13, 2020, the Company announced that further to a letter agreement executed October 15, 2019, Sumitomo Corporation of Americas ("Sumitomo") will introduce and promote IXOS® to its extensive customer base in the gold mining industry and receive a 5% commission on applicable sales. Sumitomo completed a rigorous analysis and assessment of the Company's IXOS® molecular imprinted nanotechnology used for gold extraction.

On March 3, 2020, the Company announced that a jointly submitted proposal for the testing of IXOS® gold extraction technology in collaboration with the Centre Technologique des Résidus Industriels ("CTRI"), and a major top 10 gold producer (the "Testing Partner") has been approved. The initiative, known as "Green Alternatives for Gold Leaching and Recovery", is scheduled to commence in March of 2020 (the "Project"). The purpose of the Project is to validate alternative, environmentally-friendly, leaching technologies as well as the Company's IXOS® technology for the extraction of gold from both cyanide and other alternatives. Testing will be completed on low grade tailings originating from a gold producing site operated by the Test Partner. The Project will examine a variety of alternatives for the leaching of gold, including thiourea, thiocyanate, thiosulfate and halogens (such as bromine or iodine). After initial test work, IXOS® gold extraction beads (the "IXOS® Beads") will be tested in direct comparison to activated carbon as a means of extracting gold from various leach solutions. This examination will also include benchmark testing of the IXOS® Beads as a means of extracting gold from a cyanide leach solution.

On June 24, 2020, the Company announced that the Patent Office of the People's Republic of China has granted the Company a patent for its unique method of metal extraction and purification using molecularly imprinted polymers (the "Patent").

On July 28, 2020, the Company announced the commencement of the previously announced testing of IXOS® gold extraction technology in collaboration with CTRI and a major top 10 gold producer. The start of the project, originally scheduled for March of 2020, had been delayed as a result of COVID-19, but ore has been shipped in July 2020. The Company further reported on testing results of its IXOS® beads on ore sourced from other gold producers who have expressed an interest in the IXOS® product. In addition, the Company was granted a patent from the Patent Office of Russia for its metal extraction and purification polymer. (Russian Patent No. 2719736).

On September 15, 2020, the Company announced that it has executed a non-binding letter of intent for the trialing of the Company's patented IXOS® purification polymer for Rio2 Limited ("Rio2"). Under the terms of the non-binding letter of intent Rio2 will send representative ore samples from its Fenix Gold Project to the Company for testing and analysis in the Company's Salt Lake City facility. The Company's will perform a combination of leaching and recovery tests using its IXOS® technology on these samples consistent with protocols for the expected heap leach mining activity planned for Rio2's Fenix Gold Project. Upon completion of the testing and pending positive results the companies would work towards executing a definitive agreement to complete an on-site pilot adsorption/desorption/recovery (ADR) plant scaled to operate on a 400t pilot leach pad. If the pilot plant demonstrated successful results the companies would than work towards an implementation phase incorporating the Company's IXOS® technology in the processing plant to be constructed at the Fenix Gold Project.

On September 17, 2020, the Company announced a collaborative "green" test initiative with Mining and Process Solutions in Australia. The test work initiatives would occur in North America and Australia utilizing Sixth Wave's commercially available IXOS® molecular imprinted polymer and the MPS GlyCat process. The GlyCat process was invented to reduce cyanide consumption while maintain gold recovery for gold ores from deposits that contain nuisance copper.

The two companies are also working in collaboration with the Centre Technologique des Residus Industriels and a major top-10 gold producer in Canada. The project aims to develop an environmentally friendly flow sheet for the gold mining industry. It will examine MPS' acidic and alkaline leaching technologies together with the Company's IXOS® technology. Testing is to be undertaken on ores provided by the Canadian mining partner.

On October 16, 2020, the Company announced that it has received an issue notification from the United States Patent and Trademark Office (USPTO) for patent application No. 15/747,858. The patent application was for the Company's molecularly imprinted polymer beads for the extraction of metals and uses thereof. The aforementioned patent was issued on Oct. 27, 2020, as U.S. patent No. 10,814,306. With the issue of this patent the Company has broadened the Company's already registered patent No. 9,504,988, which is also for the use of the Company's molecularly imprinted polymer beads for the extractions of metals and uses thereof.

Accelerated Detection MIPs ("AMIPs") Technology Overview and Business Developments

In April 2020, the Company announced the filing of two patents applications with the United States Patent and Trademark Office, Patent Application Number 63000977 - The Use of Molecularly Imprinted Polymers for the Rapid Detection of Emerging Viral Outbreaks and The Use of Molecularly Imprinted Polymers for the Rapid Detection of Emerging Viral Outbreaks, Patent Application Number: 63/010,244. The patent applications cover a planned extension of the Company's MIPs technology to develop a platform, referred to as Accelerated Detection MIPs, or AMIPs, for the rapid detection and separation of viruses, biogenic amines and other pathogens, with planned targets to include the SARS-CoV-2 virus responsible for COVID-19. The first patent application relates to the AMIPs technology, the use of MIPs to selectively bind to the target virus directly, using physical characteristics such as molecular size, shape and surface structures, which the Company believes offers significant advantages over conventional rapid diagnostic technologies which rely on processes which can require highly trained laboratory staff and processing times ranging from hours to days, or that are limited to the detection of antigens or antibodies which can take days or weeks to develop within the body. The second patent application proposes a wide range of practical devices to collect samples from multiple sources including individual patients, air and water supplies, and common everyday contact surfaces where the virus can survive and threaten human exposure between hosts. The goal of the envisioned products will be to deliver a warning indicator (including a visual colorimetric indicator or audible alarm), within minutes of the sampling process.

The Company has not yet developed functional prototypes of the AMIPs and collection and delivery devices described in the patent applications for virus detection but has developed similar products in the past for other target molecules, including explosives and explosive compounds and biogenic amines associated with harmful bacteria. Internal research and development of the AMIPs technology and delivery devices are ongoing and being conducted by the Company's scientific team. The AMIPs technology can be developed using molecular proxies for the virus, without the need for handling live viruses during the product testing and development stages. This approach allows the Company to proceed through many phases of the development before it needs to engage a qualified laboratory for validation testing. The Company maintains research connections with major US universities and national laboratories and will engage these and other experts and research facilities at the appropriate time in the development process. As the engagement of third parties has not yet been required, external expenditure on the development of the AMIPs technology has been minimal to date. FDA, Health Canada, and other country government agency approvals will be required before any such products can be brought to the market.

On May 15, 2020, the Company announced that it had entered into a non-binding memorandum of understanding ("MOU") dated May 14, 2020 with Neocon International Inc. of Halifax, Nova Scotia ("Neocon") to design and produce a face mask which incorporates the Company's patent-pending virus detection technology ("SmartMask™") currently under development.

A potential application described in the AMIPs Device Patent is the incorporation of the AMIPs technology into an N95 Compliant, or other mask/respirator. The envisioned SmartMask™ could provide the standard protective capabilities of an N95 mask, with the added interactive capability to alert the user that a target virus has been detected in the exhaled breath of the user. The proposed method of alerting the user is a color change in the embedded AMIPs media, to be included in the face mask design. Based on prior experience with colorimetric media (namely, the Company's legacy Explosives Detection Polymer), The Company believes that AMIPs media can be designed to deliver a positive test result using variable color codes, including optional fluorescence, within minutes of exposure to the virus exhaled in the breath.

On June 15, 2020, the Company announced that it has partnered with York University and the Centre Technologique des Residus Industriels, for the development of its AMIPs virus detection technology through the submission of a grant application to Natural Sciences and Engineering Research Council of Canada.

The grant application is titled: Point-of-need Microfluidic Biosensor for Detecting Airborne Viruses using Molecularly Imprinted Polymers: Towards COVID-19 Virus Monitoring and is for the development of a portable and low-cost technology for rapid on-site air sampling and detection of aerosol and droplet-encapsulated viruses in indoor and outdoor environments.

Pursuant to the terms of the proposal, the Company will contribute its proposed AMIPs detection technology to be incorporated into the design of one of the first field-deployable air monitoring systems used for the detection of viruses such as SARS-CoV-2.

Upon design completion, the partnership plans to develop a prototype that will be tested and used in an array of settings including but not limited to the public sector, private industry, hospitals, long-term healthcare facilities, and various forms of public transportation.

If successfully developed, the air monitoring system would be able to provide proactive virus detection capabilities to help maintain confidence in public settings and in the reopening of previously contaminated locations. The air monitoring system could be used to provide surveillance and mapping of virus hot spots to further assist in the prevention of additional virus infection.

On August 5, 2020, the Company announced that the Natural Sciences and Engineering Research Council of Canada has approved the proposal submitted by the Company and its partners, York University and the Centre Technologique des Residus Industriels for the development of the Company's AMIP virus detection technology. The project was approved for a start date of August 1, 2020.

On October 27, 2020, the Company announced that it has received a $250,000 contribution from the Nova Scotia COVID-19 Response Council for the development of the Company's proposed AMIP's technology. Under the terms of the agreement dated October 22, 2020 between the Nova Scotia COVID-19 Response Council and the Company, the Company will continue to develop its AMIP technology specifically for the purpose of quickly and selectively binding to the SARS-Cov-2 virus. The proposed technology also contemplates the rapid delivery of a visual and/or electronic response upon the detection and verification of the SARS-Cov-2 virus. The Company's intention is to incorporate the AMIP's technology into several rapid-detection products, including rapid virus test kits, SmartMask™, as well as air and water monitoring systems.

This funding received is the first outside funding in the development of the Company's proposed AMIP's virus detection technology and builds on the Company's relationships in Nova Scotia. As the Company previously announced the Company has signed a memorandum of understanding with Neocon International Inc., a premier manufacturing company in Nova Scotia to commercialize the Company's proposed SmartMask™ product. Furthermore, the Company has executed a memorandum of understanding with Dalhousie University to explore near term opportunities to establish a research and development presence in Nova Scotia.

The Company's Phase 2 AMIP's project has a number of objectives, culminating in the development of a molecularly imprinted polymer formulation with measurable binding of inactivated SARS-CoV-2 in a buffer solution with limits of detection less than 15,000 virus particles per millilitre (comparable with several other commercially available diagnostic technologies) and a basic colorimetric response using protein-labelling chemistry. Clinically relevant viral loads have been determined to be approximately 15,000 virus particles per milliliter. Although a molecularly imprinted polymer for the detection of SARS-CoV-2 has not previously been developed, other virus-imprinted polymers have demonstrated detection limits as low as 105 virus particles per milliliter.

Over all, the Company's objectives for the COVID-selective AMIPs include:

1. Flexibility -- the ability to analyze a significant variety of field samples such as specimens garnered from bodily fluids, breath, air, waste streams and contact surfaces;

2. Speed -- the ability to detect and to communicate an electronic or visual signal almost immediately upon positive diagnosis;

3. Ease of use -- the ability to integrate with a variety of devices not requiring specialized training; and

4. Low cost -- enabling widespread and frequent testing that will allow for safe return to daily activities and outbreak management.

The Company's COVID-19 project represents the first step in the development of a flexible platform that can be adapted to detect a variety of viruses. The overall budget for this project totals $770,000, of which $250,000 will be funded through the contribution by the Nova Scotia COVID-19 Response Council.

On November 23, 2020 the Company announced that is signed an agreement with the researchers at the University of Alberta to develop the Company's AMIP's technology.

If researchers are successful, the AMIPs technology could be an affordable, reliable and easy-to-use method to rapidly detect the presence of SARS-CoV-2 and provide a platform for expanding the detection capability to almost any virus. The prompt diagnosis would allow even asymptomatic people to know if they have contracted the virus, dispensing with the delays, inconvenience and uncertainty of current testing practices.

The Company will work with researchers at the University of Alberta's Li Ka Shing Institute of Virology, under founder Prof. Lorne Tyrell. The Company's scientists will work in the university's labs with Prof. Michael J. Serpe from the department of chemistry and Prof. Michael Joyce of the department of medical microbiology. The university has the advanced laboratory

facilities and equipment to facilitate the specialized molecular imprinting process -- specifically for versions of the SARS-CoV-2 virus.

Polymer prototypes will be produced in the lab and subjected to intensive testing to prove capture, response time, selectivity and detection limits based on electronic detection methods.

The agreement with the university will run for 12 weeks, with the Company paying the university $150,800 for its services. Any new intellectual property derived from this effort will remain the sole property of the Company.

The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the Covid-19 (or SARS-2 Coronavirus) at this time.

Other Business Developments

On March 16, 2020, the Company announced it has acquired a controlling interest in Geolithic Corp. ("Geolithic") pursuant to an option agreement (the "Agreement") executed with Trilateral Energy, LLC ("Trilateral"). The Company has tested several product designs tailored to lithium extraction in complex brines. These designs have focused on the utilization of the Company's core molecular imprinting techniques, as well as novel implementations of other nanotechnologies, including new designs for macrocyclic ligands and molecular sieves. The Company has already applied for several patent applications for its technology in relation to lithium that are at various stages of review worldwide. Geolithic was established in January of 2017 as a joint venture between Trilateral and the Company to exploit the latter's technology for the extraction of lithium from geothermal brines located primarily in the Salton Sea area of California. Pursuant to the original 2017 agreement, Trilateral held 60% of the outstanding shares of Geolithic, with the Company holding 40%. Under the terms of updated Agreement, the Company has now purchased an additional 15% controlling stake in the enterprise, with an option to obtain a full 100%. However, the Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence and no control over Geolithic based on rights to board representation and/or other provisions in the respective shareholders' agreement.

On April 1, 2020, the Company announced the appointment of Mr. John Cowan as the Company's Chief Operating Officer. Mr. Cowan is a Mechanical Engineer with extensive experience in the planning, design, construction, and management of industrial manufacturing facilities in the United States. Mr. Cowan will be overseeing the production ramp-up and management of the Company's Affinity Systems and IXOS® Gold Extraction platforms immediately as well as overseeing new product development and roll out. His portfolio will include the production and quality control of both polymer extraction media (Affinity™ & IXOS® Beads), as well as the manufacture and assembly of associated hardware.

On April 13, 2020, the Company executed a Letter of Intent ("LOI" or "Letter of Intent") for the acquisition of critical assets and intellectual property of Aurora Analytics, LLC of Baltimore, MD ("Aurora") and the migration of all Aurora's key staff to become employees of the Company. Under the terms of the non-binding LOI, all prior research, development and intellectual property of Aurora, including intellectual property pertaining to the detection and sequestration of viruses, biogenic amines and their associated markers (the "IP") will be transferred to the Company upon signing of definitive agreements. Further to the LOI, Aurora's Co-Founder and Managing Member, Dr. Aristotle Kalivretenos, will be appointed as Chief Scientific Officer of the Company, subject to regulatory approval. Key employees of Aurora will also transfer to the Company as Company research staff. For further details pertaining to the LOI see the Company's press release released on April 14, 2020.

On May 27, 2020, the Company announced the formation of its Strategic Advisory Board and the appointment of initial members, Admiral Jay Cohen, the Honourable Grant Mitchell, and Mr. Randy Johnson.

Admiral Cohen is a retired Rear Admiral of the United States Navy and served as Secretary of Homeland Security for Science and Technology of the US Department of Homeland Security under President George W. Bush. Admiral Cohen is now a principal of the Chertoff Group and sits on the board of select high tech and security companies.

Mr. Mitchell was appointed to the Senate of Canada in 2005 on the advice of Prime Minister Paul Martin and represented Alberta until his retirement earlier this year. Prior to his appointment to the Senate, Mr. Mitchell spent twelve years serving in the Alberta Legislature as MLA, including four years as Opposition Leader from 1994 to 1998.

Mr. Johnson is a highly successful entrepreneur having successfully founded Alaska Ship and Drydock in Ketchikan, Alaska, guided the Company through an $80 million shipyard expansion project, and ultimately selling the Company to Vigor Industrial in 2012. Mr. Johnson is President of Tyler Rental Inc, a multi-state equipment rental business.

On June 18, 2020, the Company announced that it has expanded its Strategic Advisory Board with the addition of key individuals to assist in development and advancement of the Company's AMIPs technology which included Dr. David Fransen and Mr. Dion Phaneuf.

Dr. Fransen's career spans 40 years in various roles including senior executive positions in government, academia and the diplomatic corps. Dr. Fransen has provided strategic leadership across a wide range of economic policy and program sectors as a senior official at the Privy Council Office and Health Canada, as an Assistant Deputy Minister at Industry Canada, as the first Executive Director of the Institute for Quantum Computing, and as Canada's Consul General in Los Angeles.

Mr. Dion Phaneuf is a three-time National Hockey League ("NHL") All-Star, represented Canada internationally five times in his career, winning a silver medal and a gold medal at the World Junior Hockey Championship in 2004 and 2005, respectively, as a well as a gold medal at the 2007 Men's World Ice Hockey Championships. Mr. Phaneuf has played over 1000 games in the NHL during his 14-year professional career. Mr. Phaneuf matches his on-ice presence with his off-ice devotion to the community and in 2008 the Calgary Flames honoured Mr. Phaneuf for his role as an ambassador to the Alberta Children's Hospital and other community endeavours awarding him the Ralph T. Scurfied Award for humanitarian service. Mr. Phaneuf was also a common sight at Toronto events, often appearing at fundraisers, promotion activities, or visiting patients at the Sick Kids Hospital. To this day Mr. Phaneuf's off-ice leadership continues as demonstrated through his involvement in the Special Olympics and organizing and hosting an annual fundraising events in his off-season home in Prince Edward Island.

On August 24, 2020, the Company announced that it is conducting a non-brokered private placement of up to 10 million units at $0.30 per unit, for total placement proceeds of $3-million. Each unit consists of one common share and one common share purchase warrant. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.50 for a period of 24 months. On August 28, 2020 the Company closed the first the tranche of a non-brokered private placement and issued 614,994 units at $0.30 per unit for gross proceeds of $184,498. Subsequent to year end on September 1, September 21, and November 18, 2020, the Company closed further tranches for gross proceeds of $483,564, $1,150,100 and $397,600 by issuance of 1,611,880 units, 3,833,667 units and 1,325,334 units respectively. In connection with the further tranches issued, a total finders' fees of $49,707 and finders' warrants of 165,690 were issued. The finders' warrants give the holder the right to purchase one common share at an exercise price of $0.30 per share for a period of 24 months after closing.

During the year ended August 31, 2020, the Company adopted an award plan (the "DSU Plan"), which permits the grant of deferred share units of the Company ("DSU's") whereby the maximum number of common shares reserved for the issue under the DSU Plan shall not exceed 2,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company's Stock Option Plan, shall not exceed 10% of the Company's outstanding shares. The Company issued 2,000,000 DSU's subsequent to year end as further described below.

On October 16, 2020, the Company announced that it has implemented an employee equity participation plan. The plan, which is voluntary, permits employees to receive compensation in the form of common shares of the Company in lieu of a portion, or all, of the employee's cash compensation. The Company has issued a total of 2,016,240 common shares at a price of $0.30 per share representing significant participation by management and key employees. The Company further reports that it has granted a total of 1,150,000 options to directors, employees, advisory board members and consultants. The options are exercisable at a price of $0.35 per share and will expire on October 16, 2025. One-third of the options will vest after six months, with a further third vesting every six months thereafter. Lastly, the Company has issued 2,000,000 deferred share units under its deferred share unit plan.

On November 26, 2020, the Company announced the appointment Dr. David Fransen to its board of directors. Dr. Fransen has served on the Company's advisory board since June of 2020. The Company further announces that Scot Robinson will be resigning from the board of directors for personal reasons.

Debenture Financings

On August 22 and 31, 2020, the Company closed the sale of 742 unsecured convertible debentures for gross proceeds totalling $682,000 and settlement of outstanding balances of $60,000. Each debenture unit consists of: (i) $1,000 principal amount and (ii) 1,000 common share purchase warrants. At the Company's election, interest on the convertible debentures can be paid in either cash or common shares of the Company (at a deemed price per share equal to the conversion price, as such term is hereinafter defined), at a rate of 7.5% if paid in cash or 10% if paid in common shares. Interest is payable semi-annually on the last day of June and December of each year, commencing on December 31, 2020. The convertible debentures have a three-year term, with the principal amount being due to be repaid in full by the company on August 31, 2023. At any time during the term, a holder of convertible debentures may elect to convert the outstanding net principal amount, or any portion thereof, into units at a conversion price of $0.35 per unit. Each unit shall consist of one common share and one warrant, with each warrant entitling the holder to acquire a common share at an exercise price of $0.55. The common share purchase warrants to be issued upon the conversion of the debt will expire on the maturity date of the convertible debentures.

In addition, each initial holder of convertible debentures received a one-time commitment fee comprising of commitment warrants. A total of 111,300 commitment warrants were issued. Each commitment warrant entitles its holder to acquire one common share at an exercise price of $0.55 per common share for a period of 24 months. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. If extended, then the company shall pay a cash extension fee to the holders of convertible debentures in the amount of six months of interest (at the rate of 7.5% per annum).

The Company has the right, at any time during the term, to repay in full the principal amount and any accrued and unpaid interest on the convertible debentures, provided that the Company gives 10 days of notice prior to doing so.

In the event that the Company's common shares trade at a closing price of $0.75 or more on the Canadian Securities Exchange for 10 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units.

In connection with the closing of the financing, 148,000 finders' warrants were issued, with each finder warrant entitling the holder thereof to acquire one common share at a price of $0.35 per share for a period of 36 months from the date hereof.

The Company intends to use the net proceeds of the financing for the deployment of its Affinity cannabis purification units as well as research into its AMIPs virus detection technology.

MERGER TRANSACTION WITH 6WIC

Effective January 31, 2020, the Company acquired 100% of the issued and outstanding shares of 6WIC, a private Company existing under the laws of the State of Delaware. 6WIC is a development stage nanotechnology Company focused on developing and commercializing technologies for extraction and detection of target substances at the molecular level. The business combination has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective January 31, 2020.

Pursuant to the agreement and plan of merger ("Merger Transaction"):

1) The Company paid $1,626,550 and issued 14,291,056 common shares at a fair value of $10,718,292. As part of the Merger Transaction with 6WIC, the Company replaced 749,849 warrants of 6WIC having exercise prices ranging from $2.64 (USD $2.00) to $9.92 (USD $7.50) and reduced the term of the replaced warrants to the lessor of the unexpired term or three years after closing date with 3,928,043 warrants with an exercise price of $0.75 per share with expiry dates ranging from six months to three years after the closing date. The replacement warrants incremental value is $704,067. The weighted average assumptions used for the Black-Scholes valuation of replacement warrants were annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2.37 years and a dividend rate of 0%.

2) The Company settled the loans payable to Affinity Nano as follows:

   - On closing of the Merger Transaction $1,905,284 ($1,444,639 USD) was converted into 2,719,202 common shares of the Company.
   - $1,443,186 ($1,087,555 USD) was repaid in cash.
   - The Company entered into a convertible debenture in the amount of $1,322,359 ($1,000,000 USD) (the "Convertible Loan"). The Convertible Loan will bear interest at 10% compounded monthly and payments of $25,000 USD are to be paid at the end of each month.
   - The Company issued 1,777,778 warrants as consideration. The fair value of the warrants of $620,858 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 1.5 years and a dividend rate of 0%.

3) The Company assumed the Deferred Salary Loans of 6WIC and settled the outstanding balance as follows:

   - The deferred salary loans were assumed by the Company and upon closing of the Merger Transaction 25% of the outstanding balance was repaid or became payable to the respective parties. At January 31, 2020, the Company paid $426,634 ($322,270 USD). The remaining balances of the respective deferred salary loans will accrue interest at 0.667% per month and are to be repaid over 24 months at various payment amounts.

4) The Company paid a separation payment of $199,034 ($150,000 USD) and issued a convertible promissory note in the amount of $330,590 ($250,000 USD) to the CFO of 6WIC.

The consideration paid and the preliminary allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at January 31, 2020 are as follows:

Consideration		
Cash	$	3,695,404
Common shares		12,623,576
Replacement warrants		704,067
Convertible debentures		1,652,949
Warrants		620,858
Total consideration	$	19,296,854

Fair value of net assets acquired		
Cash	$	49,266
Receivables		109,095
Prepaid expense and other		86,097
Investment in associated company		211,578
Equipment		251,076
Right of use asset		345,125
Pilot plant		98,776
Intellectual property		2,098,105
Goodwill		20,896,856
Accounts payable and accrued liabilities		(718,881)
Lease obligation		(347,354)
Convertible debentures (bridge loan receivable - note 8 (a))		(1,436,843)
Deferred salary loans		(1,817,098)
Deferred revenue		(528,944)
Net assets acquired	$	19,296,854

During the year ended August 31, 2020, the Company incurred total transaction expenses in connection with the Merger Transaction totaling $1,213,621. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss.

The acquired business contributed revenues of $Nil and net loss of $2,508,272 to the consolidated entity from the period from February 1, 2020 to August 31, 2020.

If the acquisition had occurred on September 1, 2019, consolidated pro-forma revenue and loss for the year ended August 31, 2020 would have been $Nil and $3,374,944 respectively.

Goodwill arising from the acquisition represents expected future income, growth, assembled workforce and other intangibles that do not qualify for separate recognition. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

CHANGES IN SHARE CAPITAL ISSUED

Private placements:

On October 21, 2019, the Company closed the third tranche of its previously announced non-brokered private placement and issued 3,480,583 common shares of the Company at $0.75 per share for gross proceeds of $2,610,437.

On December 6, 2019, the Company closed the fourth tranche of its previously announced non-brokered privative placement and issued 2,000,000 common shares of the Company at $0.75 per share for gross proceeds of $1,500,000.

On January 16, 2020, the Company closed the fifth tranche of its previously announced non-brokered privative placement and issued 5,212,558 common shares of the Company at $0.75 per share for gross proceeds of $3,909,419.

On January 31, 2020, the Company's completed its obligations pursuant to the subscription receipts and issued shares of 3,603,600 for gross proceeds of $2,702,700.

In connection with the above private placements, the Company paid finders fees and issuance costs in the amount of $479,122, of which $410,779 was recorded as issuance costs against subscriptions received in advance in the prior year and issued a total of 71,916 finders' warrants. The fair value of the warrants is $28,453, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2 years and a dividend rate of 0%.

On January 31, 2020, the Company issued 14,291,056 common shares of the Company at $0.75 per share valued at $10,718,292 as part of the Merger Transaction. In addition, the Company issued 2,719,202 common shares of the Company at $0.75 per share valued at $1,905,284 to settle existing debt obligations of 6WIC and in conjunction with the Merger Transaction.

On April 1, 2020, the Company issued 295,000 common shares with a fair value of $146,025 as finder fees in connection with the above private placements.

The Company received proceeds of $606,025 in connection with the exercise of 9,323,455 warrants.

On August 28, 2020 the Company closed the first the tranche of a non-brokered private placement and issued 614,994 units at $0.30 per unit for gross proceeds of $184,498. Each unit consists of one common share and one common share purchase warrant. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.50 for a period of 24 months. A residual value of $9,224 was allocated to the warrants. In connection with the first tranche, the Company paid finders' fees and issuance costs of $58,330 and issued 43,049 finder's purchase warrants. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.30 for a period of 24 months. The finders' warrants issued has a fair value of $6,141 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, expected life of 2 years and a dividend rate of 0%.

Escrowed shares:

As at August 31, 2020, 12,734,487 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 Escrow for Initial Public Offerings. A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

	For the year ended August 31, 2020 $	For the year ended August 31, 2019 $	For the year ended August 31, 2018 $
Net loss	20,973	7,172	821
Loss per share – basic and diluted	0.34	0.22	0.05
Total assets	12,982	5,181	2,052

RESULTS OF OPERATIONS

Operating Expenses:

During the year ended August 31, 2020, the Company incurred a loss of $20,972,597 compared to a loss of $7,171,820 for the year ended August 31, 2019. The significant changes during the year compared to the prior year are as follows:

- As a result of the Merger Transaction the Company recorded amortization on its equipment, right of use assets, and intellectual property of $371,634 (2019 – Nil).
- Advertising and promotion expense increased by $749,789 in connection with the Company's recent listing on the CSE.
- Consulting fees increased by $1,113,951 to $2,643,507 (2019 - $1,529,556). The Company had additional management and consultants engaged in the current period compared to the comparative period as a result of the Merger Transaction and the advancement of the Company's Affinity technology.
- Office and miscellaneous increased by $48,824 to $71,581 (2019 - $22,757) as a result of the increased business activity due to the completion of the Merger Transaction.
- Professional fees increased by $139,015 to $690,063 (2019 - $551,047) as a result of the increased activity due to the completion of the Merger Transaction in the current period. The Company has also incurred additional legal expenditures relating to new product developments, the proposed acquisition of Aurora Analytics, LLC and other business developments including the convertible debenture financing closed during the year.

- Research and development expenditures decreased by $139,434 to $1,369,219 (2019 - $1,508,653) in the current year due to COVID-19 related restrictions and reduced research and development activities as the Company is in the final stages of commercializing its Affinity cannabinoid extraction technology.

- The Company recorded share-based compensation of $808,224 attributable to the estimated value of stock options vested during the year. In the prior year the Company recorded $712,147 resulting in a difference of $96,077. The difference period over period is attributable to the size and timing of options granted in each year.

- Transaction costs totalled $1,213,621 during the year ended August 31, 2020 (2019 - $2,705,154) due to the payment of extension costs in relation to the 6WIC agreement announced September 11, 2018 and costs associated with the closing of the Merger Transaction.

- Travel and related expenses increased by $37,098 to $221,910 (2019 - $184,812) as the Company closed the Merger Transaction and increased travel was required to advance the development of the Company's Affinity and IXOS® technology platforms.

- During the year ended August 31, 2020, the Company recorded interest expense of $227,985 (2019 – Nil) as a result of convertible debentures and lease liability obligations.

- As at August 31, 2020, an impairment indicator was determined to exist and the Company performed impairment testing that resulted in an impairment of goodwill. The impairment indicator included a significant decline in the market value of the Company' as reflected in the decline in its share price since the acquisition date on January 31, 2020. The carrying amount of 6WIC CGU was determined to be higher than its recoverable amount of approximately $11,000,000 and an impairment charge of $12,658,000 was recognized for the year ended August 31, 2020 (2019 - $nil). The impairment charge was fully allocated to goodwill.

- During the year ended August 31, 2020 the Company recorded a foreign exchange gain of $14,009 (2019 – Nil). As the Company operates in Canada and the United States and deals with both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the Unites States dollar relative to the Canadian dollar.

SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown below:

Three Months Ended	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019
Net loss	(14,340,407)	(2,568,562)	(2,226,060)	(1,855,727)
Loss per share – basic and diluted	(0.23)	(0.03)	(0.04)	(0.05)
Total assets	12,682,204	25,360,675	26,745,741	5,508,393
Working capital (deficit)	(3,467,584)	(1,532,496)	278,583	1,500,685

Three Months Ended	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018
Net loss	(2,144,056)	(2,203,073)	(2,154,386)	(670,305)
Loss per share – basic and diluted	(0.06)	(0.06)	(0.00)	(0.03)
Total assets	5,180,929	3,111,007	2,699,738	1,443,754
Working capital (deficit)	1,493,718	2,610,796	1,579,192	1,365,934

Expenses for the quarters ended May 31, 2020, February 29, 2020, and November 30, 2019 were higher than comparable prior year quarters as the Company incurred an increase in management and consulting costs and transaction costs in connection with the Merger Transaction. Net loss for the quarter ended August 31, 2020 was significantly higher than the net loss for the comparable period in the prior year as a result of the goodwill impairment of $12,658,000. Other fluctuations occur in the Company's expenditures reflecting the variations in the timing of research, general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters. See also the Results of Operations section above for additional information.

LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2020, the Company had a cash balance of $720,292 (August 31, 2019 - $610,425) to settle current liabilities of $4,328,299 (August 31, 2019 - $3,161,041).

The Company expects to fund its liabilities and its operational activities through cash on hand and through the issuance of capital stock or other financial instruments over the upcoming fiscal year ending August 31, 2021.

Net cash used in operating activities for the year ended August 31, 2020 was $4,381,191 (2019 - $5,889,005). The cash was primarily used for research and development, management and consulting, advertising and promotion, general and administrative expenses, net of non-cash expenditures, and transaction costs related to the Merger Transaction.

During the year ended August 31, 2020, net cash gained in financing activities was $8,606,350 (2019 - $6,536,603). Financing related cash inflows consisted of proceeds from the issuance of shares of $7,521,444 (2019 - $5,791,603) $606,025 (2019 – Nil) from the exercise of warrants, and $682,000 (2019 – Nil) from the issuance of convertible debentures. In addition, the Company received $195,423 ($139,200 USD) from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). Financing related cash outflows consisted of repayment of deferred salary loans of $135,730 (2019 – Nil), payments on the convertible debenture of $204,869 (2019 – Nil) and payments on the Company's lease liability of $57,943 (2019 – Nil).

During the year ended August 31, 2020, the Company paid $3,695,404 and received $49,266 in cash in connection with the Merger Transaction and acquisition of 6WIC. Purchased equipment and intangibles of $130,309 (2019 – Nil) and acquired shares of Geolithic for $99,177 ($75,000 USD). Furthermore, the Company advanced $239,668 (2019 – Nil) under the terms of a loan agreement between Affinity Farms Inc. ("AFI") and the Company (bearing 10% interest compounded annually, due on May 31, 2022 and secured by the assets of AFI).

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2020, the Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers. A summary of transactions with key management are summarized as follows:

	Year Ended August 31, 2020	Year Ended August 31, 2019
Management and consulting fees	$ 910,413	$ 130,000
Director's fees and consulting fees paid to directors	191,042	2,500
Share-based payments	88,911	39,977
Deferred salary loan payments	57,916	-
Total	$ 1,248,281	$ 172,477

(a) During the year ended August 31, 2020, the Company incurred $410,970 (2019 – Nil) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The amount incurred included a one-time signing bonus and relocation expenses of $235,970 (2019 – Nil). The Company recorded $6,732 in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the year. Pursuant to the deferred salary loan agreements, the CEO received payment of $9,838 (2019 – Nil) against the balance owing. As at August 31, 2020, the balance owing under the deferred salary loan agreement to the CEO is $547,235 (2019 – Nil). On closing of the Merger Transaction, the CEO was entitled to a repayment of $179,542 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at August 31, 2020. As at August 31, 2020, the Company owed the CEO $137,500 (2019 – Nil) for unpaid payroll and bonuses.

(b) During the year ended August 31, 2020, the Company incurred $115,000 (2019 - $95,000) in directors' fees and management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided of which $9,000 (2019 - $Nil) are included in accrued liabilities and accounts payable as at August 31, 2020. The amount included a one-time bonus of $15,000. The Company recorded $9,449 in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the year.

(c) During the year ended August 31, 2020, the Company paid $32,500 (2019 - $35,000) in management and consulting expense to the former CFO and Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $15,000. The Company recorded $5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director which have vested during the year.

(d) During the year ended August 31, 2020, the Company incurred $125,113 (2019 - Nil) in management and consulting expense to the COO of the Company pursuant to COO services provided. The Company recorded $44,113 in share-based compensation representing the fair value of options that were granted to the COO which have vested during the year. As at August 31, 2020 the Company owed the COO $44,204 (2019 – Nil) for unpaid payroll.

(e) During the year ended August 31, 2020, the Company incurred $239,330 (2019 – Nil) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount included a one-time signing bonus of $100,000. The Company recorded $4,926 in share-based compensation representing the fair value of options that were granted to the EVP which have vested during the year. Pursuant to the deferred salary loan agreements, the EVP received payment of $48,078 (2019 – Nil) against the balance owing. As at August 31, 2020, the balance owing in accordance with the deferred salary loan agreement is $482,534 (2019 – Nil). As at August 31, 2020 the Company owed the EVP $35,162 (2019 – Nil) for unpaid payroll.

(f) During the year ended August 31, 2020, the Company paid $10,000 (2019 – $2,500) in director fees to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $7,500. The Company recorded $2,077 in share-based compensation representing the fair value of options that were granted to the former Director which have vested during the year.

(g) During the year ended August 31, 2020, the Company incurred $168,542 (2019 – Nil) in director's fees and management and consulting expenses to the remaining Directors of the Company. The Director's earned $37,500 (2019 – Nil) in director's fees and $131,042 (2019 – Nil) in management and consulting expense for consulting services provided. The Company recorded $16,420 (2019 – Nil) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the year. As at August 31, 2020 the Company owed the Director's $11,250 (2019 – Nil) in unpaid Director's fees and $25,937 (2019 – Nil) in unpaid consulting expense.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Business combinations

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Classification of associated company

Classification of investments requires judgment as to whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in Geolithic Corp. ("Geolithic") as an associated company and as at January 31, 2020 as the Company owned 40% of the outstanding common shares of Geolithic. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic. On March 6, 2020, the Company exercised its rights under the option agreement and acquired an additional 15% of Geolithic Corp. The Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence and no control over Geolithic, based on rights to board representation and/or other provisions in the respective shareholders' agreement.

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. the separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated using the Black-Scholes pricing model.

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.
Valuation of investment in associated company

To value the investment in associated company, management obtains financial information from the majority owner and adjusts the carrying value of the investment. The investment is subject to all estimates includes in the financial information from the majority owner as well as estimates of impairment losses.

Valuation of loan payable

The Company used the effective interest rate method to measure the loan payable and the difference between the fair value at inception and the loan proceeds received is recorded as deferred revenue. The Company was also required to estimate the market rate for a comparable instrument with a similar term. Changes in the interest rate used can materially affect the fair vale estimate and accretion rate of the debt.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains and embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which required exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired. Impairment of tangible and intangible assets with limited lives are affected by judgements about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

SIGNIFICANT ACCOUNTING POLICIES ADOPTED

The Company adopted following accounting standards and amendments to accounting standards effective September 1, 2019:

IFRS 16 Leases

On September 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IRFS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates classification of leases as either operating leases or finance leases for the lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e., leases of 12 months or less) and leases of low value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease. The lease liability will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019, the date of the initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- Leases of low dollar value will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

At September 1, 2019 the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of September 1, 2019 upon adoption of IFRS 16:

The Company assesses whether a contact is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assess whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-to-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rare implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, of the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

For the purposes of preparing and presenting the Company's financial statements, the Company has adopted all applicable standards and interpretations issued.

IFRIC interpretation 23 Uncertainty over income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At September 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

Refer to Note 4 of the financial statements for further details of significant accounting policies adopted during the period, standards, interpretations, and amendments issued by the International Accounting Standards Board.

OTHER MD&A REQUIREMENTS

Share Capital

Common shares

As at August 31, 2020 there were 80,234,101 issued and fully paid common shares outstanding. As at the date of this report, there were 89,021,222 issued and fully paid common shares outstanding.

Stock options

As at August 31, 2020 there were 4,875,000 stock options outstanding. As at the date of this report, there were 6,025,000 stock options outstanding.

Deferred share units

Subsequent to August 31, 2020 the Company issued 2,000,000 deferred share units in accordance with the Company's deferred share unit plan.

Warrants

As at August 31, 2020, there were 6,940,242 warrants outstanding. As at the date of this report, there were 12,960,188 warrants outstanding.

Escrowed shares

As at August 31, 2020, 12,734,487 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings.* A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risks

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels, with cash and bridge loan receivable classified as Level 1:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2020 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities and convertible promissory notes approximate their fair values due to their short terms to maturity or market rates of interest.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash, receivables, and loans receivable. The Company's primary exposure to credit risk is on its loan's receivable and bridge loan receivable. This risk is partially managed by a security interest in the assets of one of the borrowers. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high-quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at August 31, 2020, the Company had a cash balance of $720,292 (2019 - $610,425) to settle accounts payable and accrued liabilities of $1,650,173 (2019 - $894,320).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk - The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. At August 31, 2020, the Company didn't hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.

b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at August 31, 2020, the Company had a foreign currency net monetary liability position of $4,454,064 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $44,541.

c) Price risk - The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Other Risks

See Section 17 ‘‘Risk Factors" of the Company's Listing Statement dated February 6, 2020 as found under the Company's SEDAR profile (the "Listing Statement").

Going Concern and Need for Additional Funds

Substantial additional financing is required in the near future if the Company is to continue operations and be successful with the development of its business. No assurances can be given that the Company will be able to raise the additional

capital that it requires for its business and anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or may not be able to develop its business at all.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

Early Stage

The Company is an early-stage company with limited operating revenue to date. As such, investors do not have a significant operating history, or financial information, upon which to evaluate the Company's ability to achieve its current business plan and future objectives. Investors should consider the risks and difficulties the Company might encounter, especially given its limited operating history.

The Company develops technology for use in both the mineral resource and cannabis industries, two rapidly transforming industries, and has filed patent applications for a planned extension of the Company's MIPs technology to develop a platform, referred to as Accelerated Detection MIPs, or AMIPs, for the rapid detection and separation of viruses, biogenic amines and other pathogens, with planned targets to include the SARSCoV-2 virus responsible for COVID-19. At present, has not yet developed functional prototypes of the AMIPs and collection and delivery devices described in the patent applications for virus detection. There is no guarantee that the Company's technology or services will become or remain attractive to potential and current users as these industries undergo rapid change or that potential customers will utilize the Company's technology or services. In addition, most of the Company's management has no substantial previous experience in the cannabis industry. Accordingly, management may have limited insight into trends that might emerge and could materially affect the Company's business, operations or financial condition.

Technology and Intellectual Property Risks

The Company's technology is still at the testing and development stage and there is no guarantee that further testing and development will be successful for any of its currently proposed applications. The long-term success of the Company will be in part directly related to the success of the testing of its technology by its partners, clients and customers. Even if testing is successful, partners, clients and customers may be unwilling to change their processes to incorporate the Company's technology into those processes due to uncertainty, budget limitations or other factors beyond the control of the Company.

The Company expects to rely on a combination of patent, copyright and trade-secret laws, confidentiality procedures, and contractual provisions to establish, maintain, and protect its technology. The steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may not be enforceable. Despite the Company's efforts to protect its technology, unauthorized parties may copy or otherwise obtain and use the Company's proprietary technology or obtain information the Company regards as proprietary. Policing unauthorized use of its technology, if required, may be difficult, time consuming, and costly. The Company's means of protecting its technology may be inadequate.

Third parties may apply for and obtain patent protection for technology which is similar to the Company's technology. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of its technology or to obtain and to use information that the Company regards as proprietary. Third parties may also independently develop similar or superior technology without violating the Company's proprietary rights. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of Canada or the United States.

U.S. federal trademark and patent protection may not be available for cannabis-related aspects of the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Federal CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as U.S. federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company in relation to this industry. As a result, the Company's intellectual property may not be adequately or sufficiently protected against the use or misappropriation by third-parties in the cannabis industry. In addition, since the U.S. regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection for cannabis-related aspects of its intellectual property, whether on a U.S. federal, state or local level.

Although the Company believes that its technology does not infringe proprietary rights of others, litigation may be necessary to protect the Company's proprietary technology and third parties may assert infringement claims against Company with respect to their proprietary rights.

Any claims or litigation can be time consuming and expensive regardless of their merit. Infringement claims against the Company could cause the Company to redesign its technology or to enter into royalty or license agreements that may not be available on terms acceptable to the Company, or at all.

Risks Related to the Cannabis Industry

A portion of the business of the Company could be involved in the medical and adult-use cannabis industry in the United States, Canada and internationally through the development of technology related to the extraction of cannabinoids from cannabis products for use in the cannabis industry. The relatively new development of the medical and adult-use cannabis industry presents risks that are not inherent in other developing or mature industries, particularly due to its prior status as an illegal industry in Canada and current status in the United States as an illegal industry under United States federal law. Risks include uncertainty regarding the breadth of public acceptance and demand for cannabis products, absence of research regarding positive and negative effects of cannabis use, limited approved medical applications for cannabis products. Risks also include fragmented markets, rapid growth and potential failure of early-stage companies who would be the customers of the Company's Affinity™ product, due to inexperienced managers lacking conventional business and financial discipline or otherwise, an absence of industry and product standards, rapidly evolving legal landscapes with multiple frameworks and potential rapidly shifting public opinion. In the United States, access to capital and lenders may be limited or not available at all, and potential partners or customers of the Company's Affinity™ product in jurisdictions where cannabis remains illegal may be reluctant to transact with a company involved in the cannabis industry.

Cannabis Remains Illegal Under U.S. Federal Law

The Company is engaged in research regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products for use in the cannabis industry in certain states of the United States. The Company will not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology services, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids. Although certain states and territories of the U.S. authorize medical or adult-use cannabis cultivation, production, distribution and sale by licensed or registered entities, under U.S. federal law marijuana is a Schedule 1 controlled substance under the Controlled Substances Act (21 U.S.C. § 801 et. seq.) (the "Federal CSA") and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Federal Regulation of Marijuana in the United States

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada) and the proposed regulation of recreational cannabis under the Cannabis Act (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, at least 33 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use, and the others have laws in place which recognize medical benefits for at least some cannabinoids.

Notwithstanding the permissive regulatory environment of cannabis at the state level, State laws regulating cannabis are in direct conflict with the Federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law may apply.

Under the Federal CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the cannabis industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution,

sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

However, on January 4, 2018, then Attorney General Jeff Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "Sessions Memorandum"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

United States federal law is not pre-empted by state law in these circumstances, so the federal government can prosecute criminal violations of federal cannabis laws despite the existence of state laws allowing such activity. The level of prosecutions of state-legal cannabis operations is entirely unknown; nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the DOJ, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority from the federal law enforcement guidance set forth in the U.S. Attorney's Manual (USAM). If the DOJ policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Federal CSA for aiding and abetting and conspiring to violate the Federal CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. It remains to be seen whether the incoming Biden administration will alter the approach to enforcement of federal cannabis laws.

Notably, current federal law (in the form of the Leahy Amendment) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the Leahy Amendment for medical cannabis operators will be void. Should the Leahy Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

Now that the Cole Memorandum has been repealed, an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to 6WIC and Affinity Farms Inc. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. cannabis-related activities remains appropriate in light of the rescission of the Cole Memorandum. On February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

There can be no assurance as to the position the new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded common shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

FDA Regulation of Cannabis and Industrial Hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the U.S. federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the Food, Drug and Cosmetics Act of 1938 ("FDCA"). The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell in the U.S., and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the United States Drug Enforcement Agency ("DEA"); however, the FDA has enforced the FDCA with regard to dietary supplements and conventional foods containing CBD. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp. Any regulations imposed by the FDA may hinder the development and growth of the cannabis and industrial hemp industries, which may adversely affect demand for the Company's Affinity™ technology.

State-Imposed Restrictions Regarding the Production of Hemp and Sale of CBD

The Agriculture Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes "hemp" (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA definition of "marihuana", and allows for federally-sanctioned hemp production under the purview of the USDA, in coordination with state departments of agriculture that elect to have primary regulatory authority. States and Tribal governments can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Accordingly, the production and sale of hemp and hemp products may be limited or restricted in some states. Hemp production in jurisdictions that do not choose to submit their own plans (and that do not otherwise prohibit hemp production) will be governed by USDA regulation.

The USDA has stated that it will not begin approving state regulatory plans until the federal regulations have been promulgated. The USDA expects the federal regulations to be in place in time for the 2020 growing season. The 2018 Farm Bill also precludes states from prohibiting the transportation or shipment of hemp and hemp products that are produced under USDA-approved 2018 Farm Bill hemp programs.

"Hemp" as defined in the 2018 Farm Bill, "means the plant Cannabis sativa L., and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not with a THC concentration of not more than 0.3% on a dry weight basis." While the 2018 Farm Bill removes hemp and hemp-derived products from the controlled substances list under the Federal CSA, it does not legalize CBD in every circumstance. The 2018 Farm Bill does not require states to amend state-controlled substances laws and consequently, states are permitted to continue to classify hemp and/or CBD as a controlled substance under state law. In addition, CBD and other cannabinoids, if derived from marihuana as defined by the Federal CSA, remain a Schedule I substance under federal law.

To date, the vast majority of states have passed legislation related to industrial hemp, and at least 41 states allow hemp cultivation and production programs. However, state approaches to regulation vary and some states have limited programs or restrictions on certain activity. For example, some states prohibit the sale of CBD products outside of marijuana businesses, while other states prohibit the sale of hemp-derived CBD products altogether. Other states have laws that criminalize all parts of the cannabis plant (including "hemp," as defined under the 2018 Farm Bill) or significantly limit activity related to the cannabis plant (including "hemp," as defined under the 2018 Farm Bill). A number of state laws and regulations, including in major markets such as California, New York, and Ohio, currently contain restrictions limiting the types of hemp-derived products that may be sold and where such products may be sold. Accordingly, this patchwork of state laws may, for the foreseeable future, materially impact the development of the CBD market and demand for the Company's cannabinoid separation technology, which may adversely affect the Company's business and financial condition, and increase legal and compliance costs.

Continued Applicability of the 2014 Farm Bill Pending the Implementation of the 2018 Farm Bill

Section 7606 of the Agricultural Act of 2014 (the "2014 Farm Bill") will remain in effect until one year after the USDA establishes regulations implementing the federal plans pursuant to the 2018 Farm Bill, at which point the 2014 Farm Bill will be repealed. The 2014 Farm Bill permits cultivation of hemp for research purposes (inclusive of market research) pursuant to state agricultural programs but leaves significant discretion to states as to how to implement such programs. In addition,

the DEA, FDA and USDA have taken the position, as set forth in 2016 guidance (the "Statement of Principles"), that under the 2014 Farm Bill (i) industrial hemp products may be sold "[f]or purposes of marketing research…but not for the purpose of general commercial activity" and (ii) such products may only be sold within or among states with agricultural pilot programs that allow such activity, but not in states where such sales are prohibited. The Statement of Principles is not legally binding and is widely disputed as invalid by many, including members of Congress, on the grounds that it exceeds DEA's authority and contravenes the intent of the 2014 Farm Bill. Moreover, to date, the Statement of Principles has only been minimally enforced. However, as recently as February 27, 2019, the USDA referenced the Statement of Principles as "additional guidance" that remains applicable to the 2014 Farm Bill.

Because hemp has been removed from the definition of "marijuana" within the Federal CSA, the DEA can no longer assert authority over hemp and hemp products. Additionally, given the passage of the 2018 Farm Bill (which permits the commercial sale of Hemp and Hemp products produced in accordance with the 2018 Farm Bill and precludes states from prohibiting any interstate transportation or shipment of the same), it is also possible that the FDA and USDA will not enforce their position outlined in the Statement of Principles.

Regulatory Compliance Requirements and FDA's Position on CBD and Certain Other Hemp Products

The 2018 Farm Bill expressly preserves the FDA's authority to regulate certain products containing cannabis or cannabis-derived compounds under the federal Food, Drug, and Cosmetic Act ("FDCA"). Certain provisions of the FDCA preclude a substance from being considered a food and prohibit a substance from being marketed as a dietary supplement or dietary ingredient if such substance has been approved by the FDA as a new drug, or if such substance has been authorized for investigation as a new drug ("IND") for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public (the "Preclusion Rule"). Because CBD was the subject of public drug trials and is the active ingredient in an FDA-approved drug (Epidiolex), the FDA takes the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. Additionally, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of structure/function therapeutic benefit, or with any other disease claim, and therefore intended for use as a drug, to be approved by the FDA for its intended use before it may be introduced into interstate commerce.

GW Pharmaceuticals' ("GW") investigational new drug application for Sativex, a cannabis-derived oral spray, was authorized by the FDA in 2006, likely triggering the Preclusion Rule as applied to dietary supplements, and GW initiated clinical trials in late 2007, triggering the Preclusion Rule as applied to food. Although the IND application and clinical investigations for Sativex predate the initial IND authorization for Epidiolex, Sativex has not yet received final FDA approval. However, on June 25, 2018, the FDA announced its official approval of GW's application for its new drug, Epidiolex. Epidiolex is a CBD-based oral solution developed for use in the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. Although there are other FDA-approved drugs that contain synthetically produced THC, Epidiolex is the first FDA-approved drug that contains a purified drug substance derived from cannabis. Importantly, although substances that were marketed as a conventional food or dietary supplement before the new drug investigations were authorized or commenced are exempt from the Preclusion Rule, the FDA has concluded that, based on available evidence, this is not the case for CBD. Several states, including California, have followed the FDA's position. Further, many state food and drug laws mirror, or are substantially similar, to the FDCA, and the laws of many states include additional policies or regulations prohibiting the sale of certain hemp and/or CBD products intended for human or animal consumption.

The FDA's position (as well as those state policies mirroring the FDA's position) could materially impact the Company's business and financial condition, limit the accessibility of certain state markets, cause confusion amongst regulators, and increase legal and compliance costs.

In addition, on December 20, 2018, the same day the 2018 Farm Bill was signed into law, FDA Commissioner Scott Gottlieb, M.D., released a statement on the agency's regulation of products containing cannabis and cannabis-derived compounds. The press release states that, "Congress explicitly preserved the agency's current authority to regulate products containing cannabis or cannabis-derived compounds under the [FDCA] and section 351 of the Public Health Service Act. In doing so, Congress recognized the agency's important public health role with respect to all the products it regulates. This allows the FDA to continue enforcing the law to protect patients and the public while also providing potential regulatory pathways for products containing cannabis and cannabis-derived compounds." The agency also announced that it is exploring pathways to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in a food or dietary supplement, but reiterated the agency's long-held position that certain provisions of the FDCA preclude CBD and THC from being used in food products and from being marketed as dietary supplements. Importantly, the FDA has authority to issue a regulation allowing the use of a pharmaceutical ingredient, such as CBD, in a food or dietary supplement, even if such pharmaceutical ingredient was not previously marketed as a food or dietary ingredient prior to the initiation of clinical drug trials. On November 26, 2019, the FDA issued a consumer update with respect to CBD that reiterated that it is illegal to market CBD by adding it to a food or labeling it as a dietary supplement and that some CBD products are being marketed with unproven medical claims and are of unknown quality. The FDA cautioned that CBD has the potential to cause harm, including liver injury, negatively affecting the metabolism of other drugs and causing serious side effects, and that use of CBD with alcohol or other central nervous system depressants increases the risk of sedation and drowsiness, which can lead to injuries. In the consumer update, the FDA noted that it continues to believe the drug approval process represents

the best way to ensure that safe and effective new medicines, including any drugs derived from cannabis, are available to patients, and that it is evaluating the regulatory frameworks that apply to non-drug uses of cannabis-derived products.

Failure to comply with the FDCA and applicable state law may result in, among other penalties, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Further, the Company's advertising is subject to regulation by both the Federal Trade Commission ("FTC") under the Federal Trade Commission Act and the FDA under the FDCA and its regulations, in addition to other potentially applicable law. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which could materially impact the Company's business. Additionally, some states also permit advertising and labeling laws to be enforced by their attorney general, who may seek relief for consumers, class action certifications, class-wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

U.S. State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

The Company is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Access to Banking Services in the United States

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. Further, due to the rescission of the Cole Memo by Attorney General Sessions in January 2018, the guidance issued by FinCEN is now less certain and the Trump administration and/or agencies of the federal government could rescind or modify such guidance at any time.

In addition to the foregoing, banks in the U.S. generally refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business or portions thereof on a cash basis, or rely on obtaining banking services in Canada. The inability or limitation in the Company ability to open or maintain bank accounts in the U.S. or obtain other banking services, may make it difficult for the Company to operate and conduct its business.

Anti-Money Laundering Matters

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In its February 2014 memorandum, FinCEN stated that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Federal CSA. It is unclear at this time whether the incoming administration will follow the guidelines of the FinCEN Memorandum. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk

would appear to be diminished because Hemp-related activities that are in compliance with the 2014 and/or 2018 Farm Bill are not in violation of the Federal CSA, there is no certainty that such is the case.

If any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on the Company Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risk of RICO Prosecution or Civil Liability

The Racketeer Influenced Corrupt Organizations Act ("RICO") criminalizes the use of any profits from certain defined "racketeering" activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that cannabis is illegal under U.S. federal law, the production and sale of cannabis qualifies cannabis-related businesses as "racketeering" as defined by RICO. As such, all officers, managers and owners in a cannabis related business could be subject to criminal prosecution under RICO, which carries substantial criminal penalties.

RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such "racketeers," and can claim triple their amount of estimated damages in attendant court proceedings. The Company as well as its officers, managers and owners could all be subject to civil claims under RICO.

Risk of Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Company

Risks Related to the Ability to Trade Securities in Canada
For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("CSA ") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers possible cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there would be no CDS ban on the clearing of securities of issuers with possible cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Issuer Shares to make and settle trades. In particular, the Issuer Shares would become highly illiquid within the US as until an alternative was implemented, investors would have no ability to affect a trade of the issuer Shares through the facilities of a stock exchange.

Shareholders and potential investors are cautioned that:

- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the US; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Risks Associated from Additional Scrutiny by Canadian Regulators

For the reasons set forth above, the Company's business in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability operate in the United States.

Increased scrutiny by the Canadian regulators is likely to increase the cost of compliance and may adversely affect the profitability of the business of the Company.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Canadian Securities Administrators Staff Notice 51-352 (Revised)

The Company is engaged in research in certain states of the United States regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products, including marijuana and hemp, for use in the cannabis industry. The Company is not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids, and the Company may be considered to have indirect involvement in the cultivation of hemp through its funding relationship with Affinity Farms Inc., an Arkansas company engaged in development of an extraction process designed to extract THC and/or CBD crude oil from raw hemp and concentrates for the further downstream processing and isolation of pure THC and CBD compounds, if Affinity Farms is successful in establishing a hemp cultivation business.

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352"), the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis or marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's business activities or operations will be promptly disclosed by the Company. Below is a table of concordance that addresses the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*See DESCRIPTION OF BUSINESS AND OVERVIEW above and Listing Statement Section 3.3 – Trends Commitments, Events or Uncertainties* *See Listing Statement Section 4 – Narrative Description of the Business*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*See "Other Risks - Cannabis Remains Illegal Under U.S. Federal Law" Above*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally* *See above – Cannabis remains illegal under U.S. federal law* *See above – Federal regulation of marijuana in the United States*

	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*See above – Access to Banking Services in the United States* *See above – U.S. state regulatory uncertainty* *See above – Anti-Money Laundering Matters* *See above – Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Company* *See above – Risk of civil asset forfeiture*
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*See Liquidity and Capital Resources above.* *See Listing Statement Section 4.2 – Narrative Description of the Business – Ability to Access Public and Private Capital* *See above – Access to Banking Services in the United States*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	The Company estimates that 6.46% of its balance sheet as of August 31, 2020 relates to its marijuana related business. The Company has no marijuana related revenue.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	The Company has received legal advice from U.S. attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company and its U.S. counsel continue to monitor compliance very carefully.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	N/A
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties* *See above – U.S. state regulatory uncertainty*

	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – "The Company's Regulatory Compliance Activities"*
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – "The Company's Regulatory Compliance Activities"*

OTHER INFORMATION

Additional information relating to the Company can be found on the Company's website at www.sixthwave.com or on SEDAR at www.sedar.com