# INTEGRATED CANNABIS COMPANY, INC.

## MANAGEMENT DISCUSSION AND ANALYSIS
## NINE MONTH PERIOD ENDED
## APRIL 30, 2019

(Expressed in Canadian Dollars)

*Set out below is a review of the activities, results of operations and financial condition of Integrated Cannabis Company, Inc. (the "Company") for the nine months ended April 30, 2019. The discussion below should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the nine months ended April 30, 2019 and the audited consolidated financial statements for the period ended July 31, 2018. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at **July 2, 2019**. The Company is a reporting issuer in the provinces British Columbia, Alberta and Ontario and is listed on the Canadian Securities Exchange as ICAN. Additional information related to the Company, is available on SEDAR at www.sedar.com.*

## 1. BACKGROUND

Integrated Cannabis Company, Inc. ("iCannaCo" or the "Company") was incorporated on September 15, 2011 under the laws of the province of British Columbia and is registered extra-provincially under the laws of Ontario. The Company was a mineral exploration company engaged in the acquisition and exploration of mineral resource properties in Canada. Prior to January 29, 2016 CNRP was 85% owned by Winston Resources Inc. ("Winston" or the "Parent Company"). On January 18, 2016, Winston declared a special dividend to its shareholders by distributing all of its shareholding interest in the Company. The record date for the dividend is January 29, 2016. Winston no longer has any shareholder interest in the Company. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "ICAN". The head office of the Company is located at Suite 810 - 789 West Pender Street, Vancouver, BC V6C 1H2, Canada.

During the eight-month period ended July 31, 2018 iCannaCo completed the acquisition of all of the issued and outstanding shares of 1127466 B.C. Ltd., which through its wholly owned subsidiary XSPRAYS Industries Inc. owns the worldwide exclusive rights to market and sell as dietary supplements for nonmedical use only cannabinoid and cannabis-infused sprays. In addition, the company has a non-exclusive license to market and sell as dietary supplements for non-medical use of non-cannabis infused sprays.

### Reverse Takeover

On October 25, 2017, the Company and 1127466 B.C. Ltd. ("1127466BC") signed a share exchange agreement whereby the Company would acquire all of the issued and outstanding shares of the 1127466BC which holds, through a wholly owned subsidiary, a world-wide, exclusive license for X-SPRAYS – a brand of life-enhancement products administered via an optimal oral spray delivery system. Pursuant to the terms of the agreement, Integrated Cannabis issued an aggregate of 16,500,000 common shares in the capital of the Company (the "payment shares"). Also, as part of the transaction, the Company also issued a finder's fee of 1,650,000 common shares in the capital of the Company.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company, formerly known as CNRP Mining Inc., ("CNRP") was considered as a shell company whose activities, prior to the acquisition, were limited to the management of cash resources and maintenance of its reporting issuer status and did not constitute a business. The transaction is accounted for in accordance with IFRS 2 *Share-based Payment* ("IFRS 2") whereby 1127466BC is deemed to have issued shares in exchange for the net assets of the Company together with its reporting issuer status at the fair value of the consideration received by 1127466BC. The accounting for this transaction resulted in the following:

(i) The financial statements of the consolidated entities are considered a continuation of the financial statements of 1127466BC.

(ii) Since 1127466BC is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their historical carrying values.

(iii) As part of the completion of the reverse acquisition with CNRP to facilitate the reporting issuer status of 1127466BC, the original shareholders of CNRP retained 17,857,786 common shares and 2,425,230 warrants of the Company. A finders' fee of 1,650,000 common shares were also issued to finders.

Since the share and share-based consideration allocated to the former shareholders of CNRP on closing the reverse acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares, the value in excess of the net identifiable assets of CNRP acquired on closing was expensed in the statement of comprehensive loss as listing expense.

The share-based compensation of $13,550,387 recorded as listing expense included the fair value of the 17,857,786 common shares retained by the former shareholders of CNRP and 1,650,000 common shares issued to the finders at $0.76 per share, the fair value of 2,136,457 private placements warrants and 288,733 finders' warrants at a fair value of $0.507 and $0.381 per warrant respectively and the net assets acquired. The $0.76 value for the shares was based on the most recent closing price prior to the reverse acquisition. The fair value of warrants were calculated using Black Scholes option pricing model using the assumptions at the time of the RTO of risk free interest rates of 1.29%, expected life of between 0.32 to 1.04 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

**X-SPRAYS**TM

The Company's X-SPRAYS product line consists of eight market ready orally ingested spray products that are highly effective for overall health and well-being as well as general lifestyle. Four products are available infused with hemp-based cannabidiol (CBD) and four products are formulated without a cannabidiol (CBD) infusion. The state-of-the-art formulations are free from artificial flavours, artificial colours, sugar, starch, wheat, soy, gluten, eggs, salt and dairy. The sprays contain natural fruit and/or herbal flavours and are suitable for vegetarians and vegans. The products are highly bioavailable such that the active ingredients in the sprays are already fully dissolved, so the vitamins and minerals do not need to be further broken down once swallowed but are immediately available for use by the body.

The X-SPRAYS product line is packaged in precise, metered dose and convenient spray tubes including a child-resistant version, both of which easily fit into a purse or pocket and are ideal for travel. The container protects the liquid from light and air, ensuring the quality and shelf life of the ingredients.

## 2. COMPANY HIGHLIGHTS

During the nine months ended April 30, 2019 and subsequent:

- The Company signed a Letter of Intent (the "**LOI**") to acquire all of the issued and outstanding securities of Critical Mass Industries, LLC ("**CMI**"), a Colorado-based cannabis leader operating successfully for nearly 10-years under the brands Good Meds (www.GoodMeds.com) and BOSM Labs (www.BosmLabs.com). During the period ended April 30, 2019, the Company terminated the LOI with CMI.

- The Company raised $110,710 from the issuance of common shares at $0.40 per share upon exercise of various warrants.

- The Company raised $118,125 from the issuance of common shares at $0.30 per share upon exercise of various warrants.

- The Company acquired ownership of a cannabis cultivation business and license and prospective owner of a cannabis manufacturing business and license in the state of Nevada. The Company: (a) has issued an aggregate of 30,645,161 common shares of the Company; (b) will pay $5,019,900 in cash, payable within 120 days following the closing; and (c) will pay up to an additional $7,480,100 in cash, payable upon completing certain milestones after the closing.

- In May 2019, the Company completed three tranches and issued 22,504,000 units for gross proceeds of $5,701,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one additional common share at a price of $0.375 per share for two years from the date of issuance.

- The Company entered into a term sheet to acquire California based cannabis manufacturing interests. There can be no guarantee that the proposed transaction will be completed.

## 3. SELECTED FINANCIAL INFORMATION

### 3.1 *Results of Operations for the nine months ended April 30, 2019*

The Company had total sales of $265,776 (2018 - $Nil) and reported an overall net loss of $857,027 (2018 - $154,042).

The Company had limited operations in the comparative period in 2018 as it was newly formed and seeking business opportunities. Significant operating expenses include:

- The Company incurred filing and listing fees of $25,757 (2018 - $24,389) due to the company pursuing and completing a fundamental change of business with the CSE as well as the LOI with CMI.
- The Company $201,559 (2018 - $24,252) in legal and professional fees due to the cost of pursuing a fundamental change of business including audit related costs.
- Management and consulting fees for the period were $282,110 (2018 - $82,082) and were comprised of costs related to the change of business and fees paid for brand development of the X-Sprays product.
- Advertising and promotion expenditures for the period totaled $254,220 (2018 - $Nil) as the Company incurred costs to create brand awareness for the X-Sprays products.

### *3.2 Results of Operations for the three months ended April 30, 2019*

The Company had total sales of $173,294 (2018 - $Nil) and reported an overall net loss of $53,123 (2018 - $149,192).

The Company had limited operations in the comparative period in 2018. Significant operating expenses for the three months ended April 30, 2019 are similar to those operating expenses for the nine months ended April 30, 2019 as discussed above. The Company is in the process of implementing a business change, including numerous new business acquisitions (see Company Highlights).

### *3.3 Cash flows for the nine months ended April 30, 2019*

The Company had $717,728 cash on hand compared to $1,719,569 as at July 31, 2018. The decrease is due to the following:

- The Company incurred cash outflows of $898,292 from operating activities. See *Results of Operations* above for the discussion of operating activities.
- The Company provided $603,925 (US$350,000) to CMI related to the LOI signed in October 2018.
- The Company received cash proceeds of $228,835 related to various warrants exercised at $0.30 and $0.40 per shares for a total of 670,522 common shares of the Company. The Company also received a loan of $300,000 in relation to the acquisition of cannabis manufacturing business and license in the state of Nevada.

### *3.4 Financial position*

- The Company had a cash balance of $717,728 at period end (July 31, 2018 - $1,719,569). Total assets as at April 30, 2019 was $1,845,231 (July 31, 2018 - $2,055,796). The decrease is mainly due to the decrease in cash as discussed above.
- Accounts payable and accrued liabilities for the period were $174,585 (July 31, 2018 - $28,499) which are typically due within 30-days of billing.
- The Company had an accumulated deficit of $17,192,077 (July 31, 2018 - $16,335,050).

### *3.5 Summary of Quarterly Results*

The Company did not report quarterly results for the past eight quarters.

| | Q3 April 30, 2019 | Q2 January 31, 2019 | Q1 October 31, 2018 | Period ended July 31, 2018 |
|---|---|---|---|---|
| Sales | $ 173,294 | $ 91,380 | $ 1,102 | $ - |
| Operating expenses | 163,087 | 544,669 | 323,693 | 2,801,010 |
| Net loss | (53,123) | (481,406) | (322,498) | (16,330,200) |
| Loss per share | (0.00) | (0.01) | (0.01) | (0.76) |
| Total assets | 1,845,231 | 1,610,745 | 1,890,188 | 2,055,796 |
| Current liabilities | 492,594 | 152,451 | 64,547 | 46,508 |

| | Period ended November 30, 2018 |
|---|---|
| Sales | |
| Operating expenses | 4,850 |
| Net loss | (4,850) |
| Loss per share | (0.00) |
| Total assets | 330,001 |
| Current liabilities | 4,850 |

## 4. LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2019 the Company had working capital of $1,352,637 including $717,728 of cash.

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long-term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan.

## 5. OFF BALANCE SHEET ARRANGEMENTS

At April 30, 2019, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## 6. SUBSEQUENT EVENTS

- In April 2019, the Company entered into a term sheet (the "Term Sheet") to acquire Nevada cultivation, manufacturing and real property interests of V6E Holdings LLC and Sullivan Park Capital LLC. V6E Holdings LLC is the owner of a cannabis cultivation business and license in the state of Nevada. Sullivan Park Capital LLC is the prospective owner of a cannabis manufacturing business and license in the state of Nevada.

  On May 21, 2019, the Company entered into a share exchange agreement (the "Definitive Agreement") among the Company, 1200665 B.C. Ltd., a private British Columbia company ("TargetCo") and the shareholders of TargetCo, pursuant to which, the Company will acquire all of the issued and outstanding shares of TargetCo ('Transaction"). TargetCo, through its wholly-owned subsidiaries, is the owner of a cannabis cultivation business and license and prospective owner of a cannabis manufacturing business and license in the state of Nevada.

  In consideration for the Transaction and pursuant to the terms of the Definitive Agreement, the Company: (a) has issued an aggregate of 30,645,161 common shares of the Company (the "Payment Shares") pro rata to shareholders of TargetCo at a deemed price of $0.31 per Payment Share on the closing of the Transaction (the "Closing Date"); (b) will pay $5,019,900 in cash, payable within 120 days following the Closing Date; and (c) will pay up to an additional $7,480,100 in cash, payable upon TargetCo completing certain milestones after the Closing Date.

- On May 7, 2019, the Company completed a first tranche of its non-brokered private placement. Pursuant to the first tranche, the company issued 11,404,000 units at a price of $0.25 per unit for gross proceeds of $2,851,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant shall be exercisable to acquire one additional common share at a price of $0.375 for a period of two years from the date of issuance. In the event that the common shares trade at a closing price of greater than $0.50 per share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the warrants to expire on the 30th day after the date on which such notice is given. In connection with the closing, the Company paid an aggregate of $37,525 in finder fees and issued 117,250 finder warrants that have the same terms as the offering warrants.

- On May 13, 2019, the Company completed a second tranche of its non-brokered private placement. Pursuant to the second tranche, the company issued 8,600,000 units at a price of $0.25 per unit for gross proceeds of $2,150,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant shall be exercisable to acquire one additional common share at a price of $0.375 for a period of two years from the date of issuance. In the event that the common shares trade at a closing price of greater than $0.50 per share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the warrants to expire on the 30th day after the date on which such notice is given. In connection with the closing, the company paid an aggregate of $87,640 in finder fees and issued 308,560 finder warrants that have the same terms as the offering warrant.

- On May 14, 2019, the Company completed a third and final tranche of its non-brokered private placement. In the final tranche, the Company issued 2,500,000 units at a price of $0.28 per unit for aggregate gross proceeds of $700,000. Each unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant shall be exercisable to acquire one additional common share at a price of $0.375 for a period of two years from the date of issuance. In the event that the common shares trade at a closing price of greater than $0.50 per share for ten (10) consecutive trading days, the Company may accelerate the expiry date of the warrants to expire on the 30th day after the date on which such notice is given. The Company did not pay any finders fees in connection with the third tranche.

- On May 27, 2019, the Company entered into a term sheet (the “Term Sheet”) to acquire California based cannabis manufacturing interests (“CaliforniaCo”) from a State and municipally licensed entity (the “Proposed Transaction”).

  The Term Sheet contemplates the Company acquiring all of the issued and outstanding securities of CaliforniaCo for $12.4 million CAD to be satisfied through the issuance of common shares of the Company, at a deemed price per share of $0.31. The common shares of the Company will be subject to a twelve (12) month restriction. Additionally, based on certain milestone(s), CaliforniaCo may earn an additional $12.4 million CAD in common shares of the Company, at a deemed price per share of $0.31, or such higher price as may be required by the rules and policies of the CSE.

  The Term Sheet sets out certain terms and conditions pursuant to which the Proposed Transaction will be completed. The Proposed Transaction remains subject to certain closing conditions including, without limitation, (a) the receipt by the Company of all necessary corporate and regulatory approval; (b) customary due diligence; (c) definitive agreements; (d) each party's representations and warranties in the share purchase agreement being true and correct in all aspects, and each party meeting its terms and conditions and completing its covenants and obligations as contained therein; and (e) all of the requisite municipal and State approvals.

  There can be no guarantees that the Proposed Transaction will be completed as contemplated at all. The Proposed Transaction is anticipated to close in June 2019. The Company may pay a finder’s fee in relation to the proposed transaction in accordance with CSE policies.

- The Company has entered into a consulting agreement (the "Agreement") with iCap Ventures Inc. ("iCap") for services related to financial and operational analysis, the review of strategic opportunities and general guidance to the Company's capital markets approach (the "Services").

  As compensation for the Services, the Company has issued 609,677 common shares (the “Shares”) at a deemed price of $0.31 per share and has issued 1,500,000 options exercisable at $0.32 for a period of five years from the date of issuance. The Shares are subject to a voluntary escrow, and will be released quarterly starting 3 months from the date of the Agreement. The Options are subject to a four month hold period

- On June 11, 2019, the Company issued 143,749 common shares upon exercise of warrants at $0.30 per share.

- On June 12, 2019, the Company issued 412,498 common shares upon exercise of warrants at $0.30 per share.

## 7. RELATED PARTY TRANSACTIONS

As of April 30, 2019, the due to related parties is $18,009 (2017 - $18,009). This amount consists of amounts due to a former director of the Company. These amounts were made to provide working capital and are non-interest bearing and without fixed terms of repayment.

During the nine months ended April 30, 2019, the Company paid/accrued management and consulting fees of $98,995 (2018 - $Nil) to John Knapp, the Chief Executive Officer of the Company.

During the nine months ended April 30, 2019, the Company paid/accrued management and consulting fees of $51,950 (2018 - $Nil) to a company controlled by Eugene Beukman, the Chief Financial Officer of the Company. As at April 30, 2019, $Nil (July 31, 2018 - $8,895) remained outstanding.

## 8. CRITICAL ACCOUNTING ESTIMATES

### Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

*Critical accounting estimates*

i. Share-based payments and fair value adjustment to contingent liability are subject to estimation of the value of the award and warrants at the date of grant and measurement date using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

ii. 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.

iii. Management reviews the useful lives of depreciable assets including property, plant and equipment and customer contracts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence.

*Critical accounting judgments*

i. The determination that the Company will continue as a going concern for the next year.

ii. The revenue recognition of sale revenue.

iii. The determination of related parties.

**Changes in accounting policies**

IFRS 9 – Financial Instruments
The Company adopted IFRS 9, which replaced IAS 39 – Financial Instruments: Recognition and Measurement, in its financial statements beginning January 1, 2018. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, however it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9 there are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit and lost (“FVTPL”). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measure at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The adoption of IFRS 9 did not have a material impact on the Company’s financial statements.

IFRS 15 – Revenue from contracts with customers
On May 28, 2014 the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The adoption of IFRS 15 did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

**Future changes in accounting policies**

IFRS 16 – Leases
On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted.

The Company is currently assessing the impact of the adoption of IFRS 16.

## 9. FINANICAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of the Company's financial instruments carried at amortized cost approximate fair values due to their short duration.

**Financial Risk Management Objectives and Policies**
The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management, with the Board of Directors oversight, manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

**Financial Risks**
The Company's main financial risk exposure and its financial risk management policies are as follows:

**Credit risk**
Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is limited to the carrying value amount carried on the statement of financial position. The Company's assets most susceptible to credit risk is its advances to CMI as part of the LOI to acquire all of the issued and outstanding securities of CMI. The Company terminated the LOI and, as such, the advances are subject to a credit loss.

**Market and Other Risks**
Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly.

**Liquidity Risk**
Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. As at April 30, 2019, the Company has sufficient funds to meet general and administration expenses for the next twelve months.

## 10. RISK FACTORS

Investing in the common shares of the Company involves risk. Prospective investors should carefully consider the risks described below, together with all of the other information included in this MD&A before making an investment decision. If any of the following risks actually occurs, the business, financial condition or results of operations of the Company could be harmed. In such an event, the trading price of the common shares could decline, and prospective investors may lose part or all of their investment.

*Regulatory Risks*

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

*Competition*

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company.

*Financial Condition, Liquidity, and Requirements Outlook*

The Company's cash balance and working capital position are not adequate to sustain the Company's existing operations. If the Company is unable to continue to raise capital from issuances of shares, loans or by other means, its cash and working capital position could be affected.

*Industry Growth*

There can be no assurance that the market for the Company's existing products will continue to grow or that the Company will be successful in independently establishing markets for its products. If the markets in which the Company's products compete fail to grow or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's operating results and financial condition could be adversely affected.

*Economic Slowdown*

From time to time markets have witnessed the weakening of global macro-economic conditions. This weakness could have adverse effects on the investments of the Company's ability to continue as a going concern.

## 11. INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's required financial statements and filings.