



## **BIOME GROW INC.**

**Management's Discussion and Analysis**

**For the years ended December 31, 2022 and 2021**

(Expressed in Canadian dollars)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management's Discussion and Analysis ("MD&A") of Biome Grow Inc and its subsidiaries (the "Company") supplements, but does not form part of, the audited consolidated financial statements and the notes thereto for the years ended December 31, 2022 and 2021 (collectively referred to hereafter as the "Financial Statements"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. This MD&A provides management's comments on the Company's operations for the three months and years ended December 31, 2022 and 2021 and the Company's financial condition as at December 31, 2022, as compared with the prior fiscal period-end.

The Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. Other information contained in this document has been prepared by management and is consistent with the data contained in the Financial Statements. Other information contained in this document has been prepared by management and is consistent with the data contained in the Financial Statements.

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's certifying officers certify that the financial statements together with the other financial information included in the filings fairly present in all material respects the financial condition, financial performance, and cash flows of the Company as of the date of and for the periods presented in the filings.

In this MD&A, the words "we", "us", or "our", collectively refer to Biome Grow Inc and its subsidiaries. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The year to date periods ended December 31, 2022, 2021 and 2020 are referred to as "fiscal 2022", "fiscal 2021" and "fiscal 2020", respectively.

The Company's Board of Directors provides an oversight role with respect to all public financial disclosures by the Company.

For a complete understanding of the Company's business environment, risks and uncertainties and the effect of accounting estimates on its results of operations and financial condition, this MD&A should be read together with the Company's Financial Statements.

Information in this MD&A is presented as of May 1, 2023.

## **FORWARD-LOOKING STATEMENTS**

This MD&A includes certain statements that may be deemed "forward-looking statements". Such statements include, but are not limited to, statements regarding the expected performance of the Company's business and operations; the Company's expectations regarding revenues, expenses and anticipated cash needs and the ability to secure such cash needs in a timely manner and on terms acceptable to the Company; the intention to grow the Company's business and operations and the timing associated therewith; the expectation of an increase in product demand in the various selling jurisdictions and the timing associated therewith and the ability of the Company to satisfy such demand. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections, and outlook, including statements relating to our expectation with respect to our expansion projects.

Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "aims", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements, by their very nature, are subject to numerous risks and uncertainties, some of which are beyond the Company's control, and are not guarantees of future performance. Forward-looking statements and information are based on the opinions and estimates of management at the date the statements are made, as well as a number of assumptions made by, and information currently available to, the Company concerning, among other things, anticipated market demand for cannabis, the availability of additional capital to finance growth and future research and development, anticipated revenue and cash flow from the sale of cannabis products, the Company's ability to obtain necessary governmental permits and approvals in a timely manner and on commercially reasonable terms, access to and availability of components (including personnel) to develop the Company's operations, all of which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and information.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

---

These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include risks related to the Company's general business, economic, competitive, political and social uncertainties, uncertain and volatile equity and capital markets, lack of available capital, future demand for cannabis, lack of market acceptance or demand for the Company's products, the need for significant additional capital, changes in government legislation, environmental risks and hazards, infrastructure and/or operating costs, labor and employment matters, inability to secure necessary permits and approvals on a timely basis or at all, uncertainties involved in interpreting marketing and sales data, defects in the Company's title to its intellectual property, third party infringement claims, cost increases, exchange rate fluctuations, the Company's dependence on key personnel, as well as those factors discussed in the Company's Listing Statement available for review on SEDAR. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Other than as required by securities law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

### **NATURE OF BUSINESS**

The Company was incorporated under the laws of British Columbia on December 31, 2013. The head and records office of the Company is 1401-480 University Avenue, Toronto, Ontario. The Company's principal business activity is pursuing opportunities in the cannabis industry. The Company is listed for trading on the TSX Venture Exchange under the symbol "BIO.CN".

The Company's current operations are limited to holding investments in common shares of IMC ("IMC Shares"), which it sells when needed to satisfy its monthly obligations and to pay down its existing liabilities. The Company is actively reviewing opportunities in a variety of industries as part of its restructuring efforts.

The Company has not generated revenue to date and had an accumulated deficit of \$30,066,000,186,766 as at December 31, 2022 (December 31, 2021 - \$19,299,485). These factors form a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

### **OVERALL PERFORMANCE**

During the year ended December 31, 2022, the Company continued to make efforts to reduce operating costs and settle its liabilities with the cash generated from sales of IMC Shares, noting that the Company sold 31,745 IMC Shares for proceeds of \$261,152 during the year.

As at December 31, 2022, the Company held 211,125 shares of IMC (December 31, 2021 - 243,401) of which, 33,618 remained in escrow (December 31, 2021 - 33,618). The Company owns less than 20% of all issued equity in IMC. In management's view, the Company does not have the power to participate in the financial and operating policy decisions of IMC constituting significant influence. On November 17, 2022, IMC completed a consolidation of its common shares on a ten to one basis (the "IMC Share Consolidation"). All IMC share and per share amounts have been retrospectively adjusted to reflect the consolidation. Any references to IMC common shares are on a post-consolidation basis.

On July 31, 2020, in connection with the sale of Highland Grow Inc ("HGI"), the Company entered into a loan agreement with MYM which was due to mature in January 2022. During the year ended December 31, 2022, the parties reached an agreement and extended the maturity of the loan to December 9, 2023 subject to amended terms.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

**QUARTERLY FINANCIAL INFORMATION**

The following summarizes quarterly financial results of the Company for the last eight most recently completed quarters:

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$
Net loss and comprehensive loss	(1,726,910)	(598,598)	(4,537,697)	(4,024,106)
Basic and diluted loss per share	(0.02)	(0.01)	(0.04)	(0.04)
Cash	101,671	139,994	114,233	329,197
Total assets	462,660	1,726,679	2,461,185	7,056,952
Total liabilities	4,884,076	4,424,984	4,569,608	4,640,030

  

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	\$	\$	\$	\$
Net income (loss) and comprehensive income (loss)	(862,829)	(4,038,704)	(12,548,974)	17,310,578
Basic and diluted income (loss) per share	(0.01)	(0.04)	(0.11)	0.15
Cash	582,304	706,732	183,203	368,991
Total assets	11,073,616	12,954,115	16,837,843	29,317,111
Total liabilities	4,644,879	5,672,682	5,527,031	5,473,850

Significant factors and trends that have impacted the Company's results during the periods presented above include the following:

- During the three months ended December 31, 2022 (Q4 2022), the Company recorded a \$881,834 unrealized loss on the change in fair value of its investment in IMC due to a decrease in the share price of IMC during the period.
- During the three months ended September 30, 2022 (Q3 2022), the Company recorded a \$218,419 unrealized loss on the change in fair value of its investment in IMC due to a decrease in the share price of IMC during the period, offset by a gain on settlement of accounts payable of \$285,652.
- During the three months ended June 30, 2022 (Q2 2022), the Company recorded a \$4,195,581 unrealized loss on the change in fair value of its investment in IMC due to a decrease in the share price of IMC during the period.
- During the three months ended March 31, 2022 (Q1 2022), the Company recorded a \$3,813,067 unrealized loss on the change in fair value of its investment in IMC due to a decrease in the share price of IMC during the period.
- During the three months ended December 31, 2021 (Q4 2021), the Company recorded a \$266,511 gain on the sale of its shares of IMC due to the market price at each sale date being higher than the carrying value of the shares.
- During the three months ended September 30, 2021 (Q3 2021), the Company recorded a \$234,879 realized gain on IMC shares sold during Q3.
- During the three months ended June 30, 2021 (Q2 2021), the Company recorded a \$12,270,941 loss on the change in fair value of its investment in MYM in the second quarter of 2021. The Company did not sell investments during the second quarter of 2021.
- During the three months ended March 31, 2021 (Q1 2021), the Company recorded a \$512,554 gain on the sale of its shares of IMC due to the market price at each sale date being higher than the carrying value of the shares.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

**SELECTED ANNUAL INFORMATION**

The following financial data has been derived from the Company's financial statements:

	December 31, 2022	December 31, 2021	December 31, 2020
	\$	\$	\$
Total operating expenses	642,707	1,104,316	5,602,774
Net loss and comprehensive loss	10,887,311	139,929	239,199
Basic and diluted loss per share	0.10	0.00	0.02
Cash	101,671	582,304	98,113
Total assets	462,660	11,073,616	12,580,607
Total liabilities	4,884,076	4,644,879	6,064,268
Share capital	23,183,398	23,183,398	23,183,398
Shareholders' equity (deficiency)	(4,421,416)	6,428,737	6,516,339

The decrease in operating expenses in the current year compared to the prior years is primarily driven by the Company's focus on reducing corporate costs. The Company sold certain of its investments in the prior year driving the increase cash in fiscal 2021. The decrease in total assets is mainly due to a decline of the Company's fair value of investments, which is recognized in profit or loss. As a result, net loss and comprehensive loss increased following the recognition of unrealized losses on the fair value of investments of \$9,108,901 and \$262,258 in fiscal 2022 and 2021 respectively. Total liabilities decreased from fiscal 2020 to fiscal 2021 mainly due to settling certain accounts payable balances with the sale of shares.

**RESULTS OF OPERATIONS**

**Q4 2022 compared to Q4 2021**

	2022	2021
	\$	\$
Operating expenses	298,141	708,496
Other expenses	1,428,769	154,333
Net loss and comprehensive loss	1,726,910	862,829

The Company had a net loss and comprehensive loss of \$1,726,910 compared to \$862,829 in the prior year comparable period. The primary drivers of this decrease in the net loss were as follows:

- Professional fees decreased to \$245,805 compared to \$514,868 in the prior year comparable period as a result of decreased audit and accounting fees related to the December 31, 2021 year-end audit due to the simplification of the Company's operations, as well as payments made for strategic and advisory services and communication services in the prior period.
- Accretion expense decreased to \$nil compared to \$11,145 in the prior year comparable period due to the discount on the MYM loan being fully amortized upon its maturity during Q1 2022.
- Interest expense decreased to \$46,086 compared to \$99,714 in the prior year comparable period due to lower interest rates following the renegotiation of the MYM loan.
- Salaries and wages decreased to \$nil compared to \$90,518 in the prior year comparable period due to a reduction in staffing levels throughout the organization as a result of reduced operations.
- Change in the unrealized loss in fair value of investments decreased to \$881,834 compared to \$923,256 in the prior year comparable period due to a greater decline in the fair value of investments price during the prior year period.

Partially offsetting the decrease in the net loss and comprehensive loss, was a \$30,927 realized loss on the sale of investments compared to a \$266,511 realized gain in the prior year comparable period.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

**YTD 2022 compared to YTD 2021**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Operating expenses	<b>642,707</b>	1,104,316
Other expenses (income)	<b>10,244,604</b>	(964,387)
<b>Net loss and comprehensive loss</b>	<b>10,887,311</b>	139,929

The Company had a net loss and comprehensive loss of \$10,887,311 compared to \$139,929 in the prior year comparable period. The primary drivers of this increase in the net loss were as follows:

- Insurance increased to \$166,043 compared to \$117,641 in the prior year comparable period due to an increase in premiums as the Company entered into a new insurance plan.
- Change in the unrealized loss in fair value of investments increased to \$9,108,901 compared to \$262,258 in the prior year comparable period due to a greater decline in the fair value of investments during the current year period.
- The Company recorded a \$604,620 realized loss on the sale of investments compared to a \$1,008,954 realized gain in the prior year comparable period.

Partially offsetting the increase in the net loss and comprehensive loss were decreases to expenses as follows:

- Salaries and wages decreased to \$nil compared to \$106,221 in the prior year comparable period due to a reduction in staffing levels throughout the organization as a result of reduced operations.
- Accretion expense decreased to \$3,883 compared to \$41,037 in the prior year comparable period due to the discount on the MYM loan being fully amortized upon its maturity during Q1 2022.
- Interest expense decreased to \$346,813 compared to \$412,506 in the prior year comparable period due to lower interest rates following the renegotiation of the MYM loan.

**LIQUIDITY AND CAPITAL RESOURCES**

**Working capital**

A summary of the Company's working capital as at December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Cash	<b>101,671</b>	582,304
Restricted cash	-	897
Goods and services tax recoverable	<b>6,392</b>	86,064
Prepaid expenses and deposits	<b>80,135</b>	88,695
Investments	<b>274,462</b>	10,249,135
<b>Total current assets</b>	<b>462,660</b>	11,007,095
Accounts payable and accrued liabilities	<b>728,939</b>	1,138,584
Loans payable	<b>4,155,137</b>	3,506,295
<b>Total current liabilities</b>	<b>4,884,076</b>	4,644,879
<b>Working capital (deficiency) surplus</b>	<b>(4,421,416)</b>	6,362,216

As at December 31, 2022, the Company had a working capital deficiency of \$4,421,416 (December 31, 2021 - working capital surplus of \$6,362,216). The decrease in working capital was primarily driven by the revaluation of its investment in IMC Shares to \$274,462 as at December 31, 2022 compared to \$10,249,135 as at December 31, 2021.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

**Cash flows for the year ended December 31, 2022 and 2021**

	2022	2021
	\$	\$
Cash used in operating activities	<b>(742,682)</b>	(1,839,606)
Cash provided by investing activities	<b>261,152</b>	2,162,858
Cash used in financing activities	-	(309,550)
Change in cash and restricted cash, for the period	<b>(481,530)</b>	13,702

An explanation of cash flows from operations is as follows:

- Cash used in operating activities reduced to \$742,682 from \$1,839,606 in the prior year mainly as a result of management's corporate cost reduction efforts.
- Investing activities provided \$261,152 of cash compared to \$2,162,858 in the prior year driven by higher sales proceeds from the sale of investments in the prior year.
- Cash used in financing activities reduced to \$nil compared to \$309,550 in the prior year, due to the Company repaying its loan payable and accounts payable during the prior year.

**Debt financing**

On July 31, 2020, in connection with sale of HGI, MYM agreed to loan the Company an amount equal to \$1,000,000 (the "MYM Loan - Tranche #1") plus the balance of certain liabilities of HGI, which will continue to be owed by HGI, post-closing, in the amount of \$1,664,141 (the "MYM Loan - Tranche #2"), both for a term of 18 months (January 31, 2022) with an option to extend for an additional 6 months at the sole discretion of the Company upon the Company paying an extension fee (together the "MYM Loan"). The MYM Loan bears interest at a rate of 17.5% per annum.

Pursuant to the loan and security agreement, the Company incurred a one-time set-up fee equal to 8% of the MYM Loan - Tranche #1 advance. Interest on the MYM Loan is calculated from July 31, 2020 on a monthly basis and payable every fourth months beginning on November 30, 2020. The total debt issuance costs of \$80,000 were applied against the loan principle in the amount of \$2,664,141 and are accreted over the term of the loan.

During the year ended December 31, 2022, the Company incurred \$339,519 of interest expense (2021 - \$403,250) in connection with this loan. On January 31, 2022, the MYM Loan payable matured. IMC (the parent of MYM) and the Company have been renegotiating maturity and terms of the loan. During the year ended December 31, 2022, the parties signed a loan amended agreement, whereby the MYM Loan maturity date was extended to December 9, 2023, interest will accrue at an annual rate of 8% starting September 9, 2022; and on December 31, 2022, the Company was required to pay all accrued and unpaid interest as well as a principal payment of either 5% or 10% of the principal outstanding. The percentage to be paid is subject to certain conditions including assessment of the weighted-average price of IMC Shares during the last ten trading days of November 2022. Additionally, if at any point during the year ended December 31, 2023 the share price of IMC exceeds \$23.50 per share (after the IMC Share Consolidation), the MYM Loan becomes due on demand. During the year ended December 31, 2022, no payments related to this loan were made.

During the year ended December 31, 2022, the Company recognised a \$63,474 loss on extinguishment of debt in connection with the loan amendment agreement (2021- \$nil).

During the year ended December 31, 2019, the Company received a series of advances from a related party totaling \$1,250,000. The amounts are secured by promissory notes, bear no interest and are due on demand. As at December 31, 2022, the carrying value of these loans are \$1,250,000 (December 31, 2021 - \$1,250,000). The MYM Loan is senior to the related party advances in terms of creditor hierarchy.

**MANAGEMENT OF CAPITAL**

The Company's capital structure consists of all components of its share capital. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

**DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company's authorized share capital consists of an unlimited number of voting common shares without par value and an unlimited number of non-voting and redeemable Special Class B and C shares without par value. The Company had the following securities outstanding as at the date of this MD&A:

	<b>May 1, 2023</b>
	#
Common shares	112,417,435
Stock options	3,000,000
Warrants	5,357,143
Fully diluted	<b>120,774,578</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements to which the Company is committed. The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

**RELATED PARTY BALANCES AND TRANSACTIONS**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

A summary of the Company's related party transactions for the years ended December 31, 2022 and 2021, is as follows:

	<b>2022</b>	2021
	\$	\$
Professional fees	<b>95,000</b>	364,006
Share-based compensation	<b>37,158</b>	52,327
Salaries and wages	-	60,000
	<b>132,158</b>	476,333



**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

A summary of the Company's amounts payable to related parties is as follows:

	December 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	\$ 77,777	\$ 194,324
Loans payable	1,250,000	1,250,000
	<b>1,327,777</b>	<b>1,444,324</b>

As at December 31, 2022, accounts payable and accrued liabilities include \$77,777 due to related parties comprised of the following:

- \$20,000 in deferred compensation the CEO of the Company. During the year ended December 31, 2021, \$60,000 in deferred compensation to directors of the Company related to the sale of HGI was recorded in salaries and wages in the consolidated statements of loss. The deferred compensation was payable at the earlier of November 5, 2022, or IMC shares trading at greater than \$8.86 per share. During the year ended December 31, 2022, \$40,000 was paid was the non-executive directors.
- \$56,000 for amounts owed for current year professional fees and \$1,777 for amounts owed for current year of reimbursement of expenses to the CEO.

As at December 31, 2022, the Company has loans payable totaling \$1,250,000 (December 31, 2021 - \$1,250,000) to an entity under control of a significant shareholder of the Company. The balance payable is secured by promissory notes, non-interest bearing and due on demand.

#### **PROPOSED TRANSACTIONS**

The Company has no proposed transactions as at December 31, 2022 or at the date of this report.

#### **CRITICAL ACCOUNTING ESTIMATES**

The Financial Statements of the Company are prepared in accordance with IFRS. Management makes estimates and assumptions and uses judgement in applying these accounting policies and reporting the amounts of assets and liabilities, revenue and expenses and other related disclosures. Significant estimates in the accompanying Financial Statements relate to share-based compensation, warrants, and the estimated deferred tax assets and liabilities. Actual results could differ from these estimates.

#### **CHANGES IN ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the Financial Statements of the Company as at December 31, 2022.

During the years ended December 31, 2022 and 2021, the Company did not adopt any new or amended accounting standards.

#### **FINANCIAL INSTRUMENTS AND FINANCIAL RISK**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices 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 that are not based on observable market data.

As at December 31, 2022, the Company's financial instruments consisted of cash, investments, accounts payable and accrued liabilities and loans payable.

**BIOME GROW INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the years ended December 31, 2022 and 2021

---

The Company's financial instruments are classified and measured at amortized cost, with the exception of investments, which are classified and measured at fair value through profit and loss. The Company's investments are measured at fair value using Level 1 inputs. The fair value of investments is measured based on the quoted market price of the related common shares at each reporting date, and changes in fair value are recognized in profit or loss.

The carrying value of cash, accounts payable and accrued liabilities and loans payable approximate their fair values due to their short-term to maturity.

The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Interest rate risk**

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under contract. Credit risk for the Company is associated with its cash. At present, the Company holds its cash in highly rated Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

As at December 31, 2022, the Company did not have derivative financial liabilities with contractual maturities.

**Market risk**

The Company is exposed to market risk because of the fluctuating values of its publicly traded investment in IMC. The Company has no control over these fluctuations and does not hedge its investments. Based on the December 31, 2022, value of investments, a 10% increase or decrease in the share price of IMC would have impacted profit or loss for the period, up or down, by approximately \$27,446 before income taxes.

**RISK FACTORS**

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not anticipate having key person insurance in effect for management. In addition, there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Company has incurred losses since its inception and has an accumulated deficit of \$30,186,796 as at December 31, 2022 (December 31, 2021 - \$19,299,485). There is a material uncertainty related to these conditions that casts doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to realize sufficient cash from the sale of its marketable securities and generate profitable operations in the future.

In addition, the Company's limited working capital could affect the Company's ability to seize upon opportunities requiring investment, or to reinvest in its products in a timely manner.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the years ended December 31, 2022 and 2021, and this accompanying MD&A (together, the "Annual Filings"). In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual and Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

DRAFT