

# Torino Power Solutions Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED June 30, 2018

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements and notes thereto for the period ended **June 30, 2018** of Torino Power Solutions Inc. (the "Company"). Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

### DATE

This MD&A is prepared as of August 20, 2018.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to Dynamic Thermal Circuit Rating (DTCR) technology development, also known as Power Line Monitoring technology ("PLM") and future mineral property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about its (DTCR) technology. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) inability to develop an effective DTCR technology (3) delays in technology development (4) industry competition (5) the uncertainty of government regulation (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (7) inability to finance (8) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

### DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the province of British Columbia on September 10, 2014 as Torino Ventures Inc. The Company changed its name to Torino Power Solutions on November 13, 2016. On November 6, 2015, the Company and Smart Autonomous Solutions Inc. ("SAS") completed a Share Exchange Agreement whereby the Company acquired all of the issued and outstanding shares of SAS. SAS is considered to have acquired the Company with the Share Exchange Agreement being accounted as a reverse takeover of the Company by SAS shareholders (the "RTO"). As SAS is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 are included in the December 31, 2015 consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of SAS in accordance with IFRS 3, Business Combinations. The Company's results of operations are included from November 6, 2015 onwards, the closing date.

The Company’s primary business is the development and commercialization of its patented DTCR technology and proprietary system architecture for application in overhead transmission lines. On June 4, 2012, the Company, formerly known as Smart Autonomous Solutions Inc. (“SAS”) entered into a binding Intellectual Property and Subscription Agreement with the University of Manitoba for the purchase of certain Canadian and US patent applications entitled, “A Sensing System Based on Multiple Resonant Electromagnetic Cavities” and International patent application entitled, “Measuring Strain in a Structure using a sensor having electromagnetic resonator”. In consideration for the Intellectual Property and Subscription Agreement, SAS, paid the University of Manitoba a total of 2,500,000 common shares and \$250,000 in cash.

The Company holds the following patents in relation to the Intellectual Property and Subscription Agreement with the University of Manitoba:

File Date	Country	App Type	Identification	Status
Measuring strain in a structure using a sensor having an electromagnetic resonator (US title)				
2003-06-26	Canada	Nationalized PCT	2,486,551	Granted Patent
2004-12-27	United States	Nationalized PCT	US 7,347,101	Granted Patent
2003-06-26	Europe	Nationalized PCT	EP1520159	Granted Patent
Sensing system based on multiple resonant electromagnetic cavities (US title)				
2006-09-12	Canada	Substantive	2,559,694	Granted Patent
2006-09-12	United States	Substantive	US 7,441,463	Granted Patent
2006-11-24	Australia	Substantive	2006241369	Granted Patent

The SAS – University of Manitoba agreement also includes a provision for “Technology Rights” which covers all technical information, know-how, processes, procedures, compositions, methods, formulas, protocols, techniques or data developed by the Inventors at the University relating to the Invention, and in the possession of the University, which are not covered by the Patent Rights, but which in the opinion of the University, are necessary for practicing the inventions and discoveries disclosed and validly claimed in the Patent Rights (collectively, the “Technology Rights”); and any future Improvements.

**Milestone payments to the University of Manitoba**

**Milestone payment 1**

Within 30 days of the Corporation achieving cumulative gross sales of Ten Million Dollars (\$10,000,000) with respect to the Product, licensing revenues and/or sublicensing revenues relating to the Assigned Rights and/or the Invention, the University shall receive Two Hundred Fifty Thousand (\$250,000), plus any applicable taxes, from the Corporation (“Milestone payment No.1”).

**Milestone payment 2**

Within 30 days of the Corporation achieving cumulative gross sales of Twenty Million Dollars (\$20,000,000) with respect to the Product, licensing revenues and/or sublicensing revenues relating to the Assigned Rights and/or the Invention, the University shall receive a further Two Hundred Fifty Thousand (\$250,000), plus any applicable taxes, from the Corporation (“Milestone payment No.2”).

The following patents have been filed by the Company:

File Date	Country	App Type	Identification	Status
Method and apparatus for monitoring physical properties				
2012-08-20	United States	Substantive	US 8,829,924	Granted Patent
Cable Temperature Sensor				
2018-03-26	United States	Provisional	US 62648227	Patent Pending

#### **REVERSE TAKEOVER TRANSACTION OF TORINO VENTURES INC.**

Effective November 5, 2015, the Corporation completed a Reverse Takeover (RTO) of Torino Ventures Inc., a reporting issuer in B.C., Alberta and Manitoba. Pursuant to the RTO, former SAS shareholders received 12,062,927 common shares of the Corporation out of a total 17,662,905 common shares of the Corporation issued and outstanding on the closing date of the RTO. After completion of the Share Exchange Agreement, the shareholders of SAS held approximately 68% of the Company. Accordingly, SAS is considered to have acquired the Company with the Share Exchange Agreement being accounted as a reverse takeover of the Company by SAS shareholders (the "RTO"). As a result of the RTO the Company is a reporting issuer in B.C., Alberta and Manitoba. As SAS is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on May 13, 2011 are included in the December 31, 2015 consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of SAS in accordance with IFRS 3, Business Combinations. The Company's results of operations are included from November 6, 2015 onwards, the closing date.

As a result of the RTO, the Company currently has one exploration property, the Monster Lake South Gold Property (also known as the "Hazeur Property") located in Quebec, Canada, the details of which are set out below. The Company has not yet determined whether its property interests contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource property and upon future profitable production or proceeds from the disposition thereof. The Corporation does not consider the property to be a material asset to the Corporation.

#### **HAZEUR GOLD PROPERTY – QUEBEC, CANADA**

For a full description of the Hazeur Property, in addition to the proposed two-stage work program thereon, please see the Technical Report titled NI 43-101 Technical Report On the Monster Lake South property dated March 12, 2015 prepared for the Company by Jeannot Theberge P.Geo, Terrax Management Inc., a copy of which has been filed on SEDAR and available for review at [www.sedar.com](http://www.sedar.com). On September 22, 2016, the Company sold 100% of the Hazeur Property to TomaGold Corporation for 1,200,000 common shares of TomaGold Corporation.

#### **OVERALL PERFORMANCE**

The Company was incorporated on September 10, 2014 and completed its plan of arrangement on March 12, 2015 is a reporting issuer in British Columbia, Alberta and Manitoba. The Company has not generated revenues to date from its Dynamic Thermal Circuit Rating (DTCR) technology and anticipates that it will continue to require equity financing to fund operations until such time a commercial product is developed and generates revenues on a profitable basis. The Company is focussed on commercializing its technology and management anticipates that expenses will increase during the foreseeable future as the Company carries out certification, pilot testing and refinement of its technology, installation and support capabilities. The Company has incurred costs in connection with the technology development and commercialization business. During the period ended June 30, 2018 the Company had an operating loss of \$260,531.

## RESULTS OF OPERATIONS

### Quarter ended June 30, 2018

During the quarter ended June 30, 2018, the Company incurred expenses of \$260,531, primarily consulting fees of \$136,099, wages and benefits of \$32,522, transfer agent fees of \$5,992, exchange and filing fees of \$6,924, development expenses of \$49,469, office and general expenses of \$3,851, Rent of \$11,846, travel of \$1,661, and stock-based compensation of \$12,167. Net loss for the period ended June 30, 2018 was \$260,531.

### SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Quarter Ended June 30, 2018, \$	Quarter Ended March 31, 2018 \$	Quarter Ended December 31, 2017 \$	Quarter Ended September 30, 2017 \$	Quarter Ended June 30, 2017 \$	Quarter Ended March 31, 2017 \$	Quarter Ended December 31, 2016 \$	Quarter Ended September 30, 2016 \$
	06/30/2018	03/31/2018	12/31/2017	09/30/2017	06/30/2017	03/31/2017	12/31/2016	09/30/2016
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(260,531)	(249,985)	(1,667,463)	(334,134)	(534,972)	(237,745)	(438,817)	(124,262)
Loss per share, basic and diluted	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)

As an early stage technology development company, the Company has not generated revenues to date from the development of its DTCR technology. The Company incurred a net loss of \$248,364 during the period ended June 30, 2018 largely as a result of technology research and development, administrative costs for operating the Company and consulting fees.

During the quarter ended June 30, 2018, the Company incurred expenses of \$260,531 compared to \$534,972 for the quarter ended June 30, 2017. Expense were primarily consulting fees of \$136,099 compared to consulting fees of \$287,903 in 2017, the decrease was due to additional consultants and consulting payments during 2017. Of the \$136,099, \$90,000 is accrued consulting fees owed to officers and directors of the Company. Transfer agent fees were \$5,992 compared to \$6,609 for the period ended June 30, 2017, exchange and filing fees were \$6,924 for the period ended June 30, 2018 compared to \$22,391 for the period ended June 30, 2017, the higher amount in 2017 was attributed to fees associated with listing on the Frankfurt exchange. Professional fees (accounting and legal) of \$nil compared to \$1,500 in 2017. Development expenses were \$49,469 for the period ended June 30, 2018, compared to \$57,893 for the period ended June 30, 2017, which all amounts are related to the advancement of the DTCR technology. Wages and benefits were \$32,522 during the quarter ended June 30, 2018 (2017 - \$30,786). Rent was \$11,846 for the period ended June 30, 2018 compared to \$10,155 for the period ended June 30, 2017, office and general expenses of \$3,851 for the period ended June 30, 2018 compared to \$3,190 in 2017, amortization expenses were \$nil for the quarter ended June 30, 2018 compared to \$61,250 recognized for the quarter ended June 30, 2017. Stock options were granted during the quarter ended June 30, 2018 with a fair value of \$12,167 compared to \$nil for the quarter ended June 30, 2017. The difference in net loss between the two periods primarily relates to additional consulting expenses for the period ended June 30, 2017, amortization expenses recognized in 2017, and advertising and promotion of \$53,295 in 2017 compared to \$nil in 2018. Net loss for the period ended June 30, 2018 was \$248,364 (2017 - \$534,972).

An analysis of the quarterly results over the last eight quarters shows that expenses of the Company have varied over the eight periods compared. The majority of the expenses were similar during the company's regular operations with expenses relating to the technology development increasing over the last eight quarters. Although most general expenses have been similar, net loss was higher in the quarters ended December 31, 2017 and June 30, 2017.

An impairment of IP of \$1,337,292 was recorded during the quarter ended December 31, 2017 and consulting fees were higher during the quarter ended June 30, 2017. Overall, consulting fees, which included management fees have increased over the last three quarters. Transfer agent and filing fees were incurred during the last seven quarters along with legal and accounting expenses relating to the exchange listing. Net loss can also fluctuate during certain quarters due to amortization expenses and the timing of stock option issuances. The company recorded amortization

related to the Company's assets during the quarters ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, and December 31, 2016. During the quarters ended December 31, 2017 and September 30, 2017, the Company had increased expenses relating to additional consultants and advertising and promotion to assist with advancing the company towards a commercialized product. Management anticipates expenditures to increase as the Company works to commercialize its DTCR technology. Other expenditures should increase going forward as management anticipate additional costs related to the Company's activities. See the discussion under the headings "Liquidity" and "Capital Resources" for more information.

## **LIQUIDITY**

The Company has not begun commercial sales of any of its technology holdings and accordingly, the Company does not generate cash from operations. The Company finances its activities by raising capital from equity markets. The Company may encounter difficulty sourcing future financing in light of the recent economic downturn.

The Company had cash of \$134,545 at June 30, 2018 (2017 - \$581,413) and working capital of \$149,020 at June 30, 2018 (2017 - \$606,674).

During the six month period ended June 30, 2018, the Company issued 1,220,000 common shares for gross proceeds of \$122,000 pursuant to the exercise of warrants.

During the year ended December 31, 2017, the Company issued 3,886,364 common shares with a fair value \$485,228 for the settlement of \$485,228 in debt. Of this amount, 1,130,682 common shares were issued to settle debt of \$140,000 for each of the Chief Executive Officer, Chief Financial Officer, and a director of the Company.

On May 25, 2017, the Company issued 10,773,705 units at \$0.075 per unit for gross proceeds of \$808,028. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 for a period of two years. In connection with this private placement, the Company paid finders' fees of \$20,340, issued 218,931 common shares with a fair value of \$16,420, and issued 490,133 brokers' warrants with a fair value of \$59,765. Each broker warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 for a period of two years. The fair value of the brokers' warrants issued were estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions: risk-free interest rate of 0.71%, expected life of two years, expected forfeitures of 0% and expected volatility of 186%.

On December 31, 2016, the Company extinguished a total of \$150,000 of debt relating to consulting fees to certain non-arm's-length parties by issuing an aggregate of 1,500,000 common shares of the Corporation (each a "Share") at a deemed price of \$0.10 per share.

On July 29, 2016, the Company extinguished a total of \$349,500 of debt relating to consulting fees to certain arm's length and non-arm's-length parties by issuing an aggregate of 3,495,000 common shares of the Corporation (each a "Share") at a deemed price of \$0.10 per share.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Due to the recovery from the global financial crisis, the Company may find it increasingly difficult to raise the funds required to continue the Company's operations. Share prices have undergone significant decreases and any issuance of the Company's equity securities in the near future may result in substantial dilution to the Company's existing shareholders.

## **CAPITAL RESOURCES**

The Company continues to utilize its cash resources to fund its administrative requirements and product development. As the Company, does not currently generate revenue, cash balances will continue to decline as funds are utilized to conduct its operations, unless replenished by capital fundraising. In order to fund the Company's ongoing operational needs, the Company will need funding through equity or debt financing. The Company's operations to date have been financed by the issuance of its common shares. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising

funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the ability of the Company to continue as a going concern will be in significant doubt. The Company has incurred \$7,155,119 in losses from inception including a net loss of \$260,531 for the period ended June 30, 2018 (June 30, 2017 - \$534,972), and working capital of \$149,020 at June 30, 2018 compared to working capital of \$606,674 at June 30, 2017.

### **Operating Activities**

The Company used net cash of \$119,669 in operating activities during the period ended June 30, 2018 (2017 - \$584,223).

### **Financing Activities**

The Company received net cash of \$Nil in financing activities during the period ended June 30, 2018 (2017 - \$1,130,238).

### **Investing Activities**

The Company used net cash of \$nil in investing activities during the period ended June 30, 2018 (2017 - \$10,329).

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not entered into any off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

During the period ended June 30, 2018, the Company accrued \$90,000 (2017 - \$80,000) in consulting fees to Directors of the Company. During the quarter ended June 30, 2018, the Company granted 200,000 stock options to a Director of the Company with a fair value of \$12,167 (2017- \$nil).

### **PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

### **SUBSEQUENT EVENTS**

Subsequent to June 30, 2018, the Company issued 952,500 common shares in relation to warrant exercises.

### **ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2018, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

Amended standard IFRS 2, "Share-based Payment"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

During the periods ended June 30, 2018 and June 30, 2017, the Company incurred the following expenses:

	Quarter Ended June 30, 2018	Quarter Ended June 30, 2017
Development costs	\$49,469	\$57,893
General and administrative costs	\$211,062	\$477,079

An analysis of material components of the Company's general and administrative expenses is disclosed in the unaudited financial statements for the period ended June 30, 2018 to which this MD&A relates.

## DISCLOSURE OF OUTSTANDING SHARE DATA

### Common Shares

As at June 30, 2018, the Company had 52,020,488 common shares issued and outstanding.

### Share Purchase Warrants

As at June 30, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
1,874,000	0.10	September 2, 2018
11,263,838	0.15	May 25, 2019
<u>13,137,838</u>		

### Stock Options

The Company had 2,300,000 stock options outstanding as at June 30, 2018 which had the following characteristics:

Number of Options	Exercise Price	Expiry Date
2,100,000	\$0.15	May 13, 2021
200,000	\$0.15	June 4, 2020

## RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking

statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

### **Risks Related to the Company's Business**

*Because of the unique difficulties and uncertainties inherent in early stage technology development, the Company faces a high risk of business failure.*

**The Corporation currently does not generate revenue from its operations, and as a result, we face a high risk of business failure.**

The Corporation has a history of operating losses and may never achieve profitability in the future. The Corporation is an early stage technology company; accordingly, it has not generated any business income from its proprietary systems to monitor the Dynamic Thermal Circuit Rating.

The Corporation expects to be involved in research and development of its Dynamic Thermal Circuit Rating (DTCR) monitoring system, working to achieve certification for its technology and then performing pilot tests to determine its commercial viability. This process may take several years and require significant financial resources without income. The Corporation expects these expenses to result in continuing operating losses for the foreseeable future.

The Corporation's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and commercialize its DTCR monitoring system. Successfully developing a DTCR monitoring system into marketable solution may take several years and significant financial resources and the Corporation cannot assure that it can achieve these objectives.

### **Patents & IP**

The Corporation through its agreements with the University of Manitoba holds certain rights to existing patents and patent pending technology but cannot guarantee their final patent approval or commercial viability.

### **Industry Risks**

The market for DTCR monitoring system is characterized by evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The introduction of products embodying new technologies and the emergence of new industry standards and service offerings could render the Corporation's existing products and products currently under development obsolete. The Corporation's success will largely depend upon its ability to evolve its products and services to sufficiently keep pace with technological developments and respond to the needs of its existing and prospective customers. Failure to anticipate or respond adequately to technological developments or future customer requirements, or any significant delays, deterioration in technological performance, in product development or introduction, could damage the Corporation's competitive position in the market place and effect commercialization plans. There can be no assurance that the Corporation will be successful in developing and marketing new products or product enhancements or service offerings on a timely basis.

**Current and future competitors could have a significant impact on our ability to generate future revenue and profits**



The markets for our products are intensely competitive, and are subject to rapid technological change and other pressures created by changes within our industry. We expect competition to increase and intensify in the future as additional companies enter our markets, including competitors who may offer similar solutions but provide them through different means. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could experience diminished market share if our current or prospective competitors introduce new competitive products; add new functionality to existing products, acquire competitive products, reduce prices, or form strategic alliances with other companies. If competitors were to engage in aggressive pricing policies with respect to their products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our products and services, we might need to lower the prices we charge for the products we plan to offer. This could result in lower revenues or reduced margins, either of which may materially and adversely affect our business and operating results.

#### **We may become involved in legal matters that may materially adversely affect us**

From time to time in the ordinary course of our business, the Corporation may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Corporation to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be highly expensive, the results of any such actions may have a material adverse effect on the Corporation's business, operations or financial condition.

#### **Investment in our current research and development efforts may not provide a sufficient, timely return**

The development of new software products and strategies is a costly, complex and time-consuming process, and the investment in technology product development often involves a prolonged time until a return is achieved on such an investment. We have made, and will continue to make, significant investments in technology development and related product opportunities. Investments in new products are inherently speculative and risky. Commercial success depends on many factors including the degree of innovation of the products developed, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for new development. These expenditures may adversely affect our operating results if they are not sufficiently offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a prolonged period of time, if at all. Moreover, new products and services may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as lucrative as the margins we previously experienced for our legacy products and services.

#### **Protection of proprietary technology can be unpredictable and costly**

The Corporation's success will depend in part upon successful new patent applications for its technology and protecting existing patents that the Corporation holds. Obtaining such patent protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Corporation's technology and products.

#### **Competition**

The planned business to be carried out by the Corporation will be highly competitive and involve a high degree of risk. There can be no assurance that the Corporation will be the only DTCR developer in North America or globally. In its efforts to achieve its objectives, the Corporation will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

#### **Uninsured or Uninsurable Risk**

The Corporation may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position.

### **Conflicts of Interest**

Our executive officers and directors will devote only that portion of their time which, in their judgment and experience, is reasonably required for the management and operation of our business. Management may have conflicts of interest in allocating management time, services and functions among the Corporation and any present and future ventures which are or may be organized by our officers or directors and/or their affiliates. Management are not required to direct the Corporation as their sole and exclusive function, and they may have other business interests and engage in other activities in addition to those relating to the Corporation. This includes rendering advice or services of any kind to other investors and creating or managing other businesses.

It is possible, however, that our directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Corporation.

### **Dependence on Key Personnel**

The Corporation depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Corporation's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

### **Financial Liquidity**

The Corporation has not yet generated revenues and will likely operate at a loss as it looks to establish its first commercial DTCR products. The Corporation may require additional financing in order to execute its business plan. Our ability to secure required financing will depend in part upon investor perception of our ability to create a successful business. Capital market conditions and other factors beyond our control may also play important roles in our ability to raise capital. The Corporation can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to our management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that we feel the business requires, or unavailable on acceptable terms, we may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

### **Financial Statements Prepared on Going Concern Basis**

The Corporation's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Corporation's future operations are dependent upon the successful completion of financing and the creation of operations deemed successful according to the standards of our industry. The Corporation cannot guarantee that it will be successful in obtaining financing in the future or in achieving business objective set forth internally or externally. Our consolidated financial statements may not contain the adjustments relating to carrying values and classification of assets and/or liabilities that would be necessary should the Corporation be unable to continue as a going concern.

### **We do not have any business liability, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of resources.**

Insurance companies offer limited business insurance products and do not, to our knowledge, offer business liability insurance suitable to management. While business disruption insurance is available, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for directors liability and fire insurance, we do not have any business liability, disruption or litigation insurance coverage for our development operations. Any business disruption or litigation may result in our incurring substantial costs and the diversion of resources.

### **Our Articles of Association contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.**

Our Articles of Association contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by them in a civil, criminal or administrative action or proceeding to which they are made a party by reason of their being or having been a director or officer of the Corporation.

### **Costs of Maintaining a Public Listing**

As a result of seeking a public listing, the Corporation will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Corporation may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

### **No Public Trading Market**

Currently there is no public market for the Securities of the Company, and there can be no assurance that an active market for the Offered Securities will develop or be sustained at any time. If an active public market for the Corporation's securities does not develop, the liquidity of an investor's investment may be limited and the share price may decline.

### **Share Price Volatility and Speculative Nature of Share Ownership**

If the Corporation successfully lists on a Canadian exchange, this may result in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Corporation may significantly influence the price at which our shares trade, and the volatility of our share price. Quarterly operating results and material developments reported by the Corporation can, and likely will, influence the price of shares.

Sentiment toward technology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Corporation's shares. The Corporation is a relatively young company that is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Corporation's shares on any potential exchange.

### **We do not intend to pay dividends.**

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. To the extent that we require additional funding currently not provided for in our financing plan, our funding sources may prohibit the payment of a dividend. Because we do not intend to declare dividends, any gain on an investment in the Corporation will need to come through an increase in the price of our Shares. This may never happen and investors may lose all of their investment in the Corporation.

### **Risks Relating to the Company's Common Stock**

*A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations.*

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

**ADDITIONAL INFORMATION**

Additional information about the Company is available on SEDAR at <http://www.sedar.com>.

**BOARD APPROVAL**

The board of directors of the Company has approved this MD&A.