

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**  
*as of May 27, 2021*

**For the three months ended March 31, 2021**

This management's discussion and analysis ("**MD&A**") of Softlab9 Technologies Inc. (formerly APPx Group Holdings Inc.) (the "**Company**" or "**SOFT**") is for the three months ended March 31, 2021 and is prepared by management using information available as of May 27, 2021. We have prepared this MD&A with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020, and the related notes thereto ("**Annual Financial Statements**"). The Company's Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") and International Accounting Standards 34 ("IAS 34"), "Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and the interpretations Committee ("IFRIC") . All amounts are expressed in Canadian dollars unless otherwise indicated.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable Canadian securities laws that may not be based on historical fact, including, without limitation, statements containing the words "believe", "may", "plan", "will", "estimate", "continue", "anticipate", "intend", "expect" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as the factors we believe are appropriate. Forward-looking statements in this MD&A include but are not limited to statements relating to:

- our ability to obtain funding for our operations, including funding for research and commercial activities;
- the initiation, timing, cost, progress and success of our research and development programs;
- our business model and strategic plans;
- our ability to develop and commercialize mobile and/or blockchain applications candidates to market;
- our ability to recruit sufficient numbers of programmers and developers;
- our ability to achieve profitability;
- our ability to establish and maintain relationships with collaborators with acceptable development, regulatory and commercialization expertise and the benefits to be derived from such collaborative efforts;
- the implementation of our business model and strategic plans;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;
- our expectations regarding federal, provincial and foreign regulatory requirements;
- whether we will receive, and the timing and costs of obtaining, regulatory approvals in the United States, Canada, the European Union and other jurisdictions;
- the accuracy of our estimates of the size and characteristics of the markets that may be addressed by our development projects;
- the rate and degree of market acceptance of our future marketed applications, if any;
- the timing of, and our ability and our collaborators' ability, if any, to obtain and maintain regulatory approvals for our product candidates;
- our expectations regarding market risk, including interest rate changes and foreign currency fluctuations;
- our ability to engage and retain the employees required to grow our business;
- the compensation that is expected to be paid to employees and consultants of the Company;
- our future financial performance and projected expenditures;
- developments relating to our competitors and our industry, including the success of competing applications that are or become available; and

- estimates of our expenses, capital requirements and our needs for additional financing.

Such statements reflect our current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by SOFT, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, *performance or achievements to be* materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to: (i) obtaining positive results from testing; (ii) obtaining enough customers to create market; (iii) general business and economic conditions; (iv) the availability of financing on reasonable terms; (v) the Company's ability to attract and retain skilled staff; (vi) market competition; (vii) the products and technology offered by the Company's competitors; and (viii) the Company's ability to protect proprietary rights

In evaluating forward-looking statements, current and prospective shareholders should specifically consider various factors, including the risks outlined below under the heading "Financial Instruments and Risks". Should one or more of these risks or uncertainties, or a risk that is not currently known to us materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

## OVERVIEW

SOFT is a public company listed on the Canadian Securities Exchange as of November 1, 2018 under the stock symbol "SOFT" and on the Frankfurt Stock Exchange effective November 29, 2018 under the stock symbol "APO1". The Company is a technology incubator, specializing in launching, acquiring and vertically integrating technology companies. The Company incubates multiple mobile technologies internally while providing engineering, capital, executive management and strategic development services. The Company's head office is located at Suite 605 – 815 Hornby Street, Vancouver, B.C. V6Z 2E6

The Company was incorporated as CDN BVentures Ltd. on October 30, 2014 under the Business Corporations Act (British Columbia) as a wholly-owned subsidiary of a reporting issuer, Web Watcher Systems Ltd. ("Web Watcher"). On December 9, 2014, Web Watcher entered into an arrangement agreement (the "Arrangement Agreement") with the Company.

Under the terms of the Arrangement Agreement, Web Watcher was to complete a plan of arrangement which would divest Web Watcher of the asset consisting of a letter of intent, which would be divested to the Company for consideration of 73,859 common shares of the Company. Web Watcher received shareholder approval for the Arrangement Agreement at an annual general and special meeting of shareholders held on January 29, 2015 and received final approval to the Arrangement Agreement from the Supreme Court of British Columbia on February 5, 2015. The Arrangement Agreement was completed on October 24, 2017.

On October 26, 2017, SOFT entered into a share exchange agreement (the "**Exchange**") with Appature Technologies Inc. ("**ATI**").

Under the terms of the Exchange, The Company issued 1,023,651 common shares in exchange for the equivalent number of issued and outstanding shares of ATI, which represents 90.56% ownership of ATI. As a result of the Exchange, the shareholders of ATI own 93.3% of SOFT. SOFT's board of directors and senior management were reconstituted and consist of the directors and senior management of ATI. Given the majority ownership of the common shares of the Company and the majority representation on the Company's Board of Directors are held by the former shareholders of ATI, ATI has the power to govern the financial and operating policies so as to obtain benefits from the activities of the Company. The Exchange constitutes a reverse acquisition where ATI is considered the accounting acquirer of SOFT.

On March 2, 2018, the Company completed a share exchange agreement (the "**Transaction**") with RewardDrop Software Inc. ("RSI") which was incorporated under the Canada Business Corporation Act as a private company on August 22, 2017. The Transaction constitutes a reverse acquisition where RSI is considered the accounting acquirer of SOFT. As a result of reverse acquisition accounting, the financial information contained herein represent a continuation of RSI's financial statements and the acquisition of the Company

Under the terms of the Transaction, the Company issued 2,564,103 common shares in exchange for 150 of issued and outstanding shares of RewardDrop Software Inc., which represents 100% ownership of RSI. As a result of the Transaction, the shareholders of RSI own 68.2% of SOFT.

## **GROWTH STRATEGY**

The Company has identified a target Company, as stated below, to fuel its growth and maximize shareholder value.

On May 21, 2020, the Company announced that its letter of intent dated November 18, 2019 with GEMX Exchange Ltd. has been cancelled in accordance with its terms. Pursuant to the LOI, the Company and GEMX were to complete a business combination that would result in a Change of Business of the Company under the policies of the Canadian Securities Exchange.

On May 21, 2020, the Company entered into a letter of intent (LOI) to acquire CleanGo GreenGo Inc. ("CleanGo"), a privately held Alberta company that is the developer of a long-lasting disinfectant technology that is ecofriendly and biodegradable. The proposed transaction, if completed, will constitute a change of business of the company, within the meaning of the policies of the Canadian Securities Exchange, and will be subject to CSE and shareholder approval. The final structure of the Transaction will be determined by the parties following the receipt of tax, corporate and securities law advice. The Transaction is an arm's length transaction and pursuant to the provisions of the LOI, the parties intend to sign a definitive agreement (the "Definitive Agreement") in respect of the Transaction on or before August 20, 2020, with an expected closing by the end of October 2020.

Under the terms of the LOI, all of the issued and outstanding common stock in the capital of CleanGo (the "CleanGo Shares") will be exchanged for common shares in the capital of the Company. On closing, existing holders of CleanGo Shares will be issued an aggregate 8,500,000 common shares and CleanGo will be a wholly owned subsidiary of the Company.

Contingent upon CleanGo achieving specified sales milestones over the 2020, 2021, and 2022 financial years, SOFT may issue up to an additional 6,000,000 common shares to the selling CleanGo shareholders.

Effective on the closing of the Transaction, two current members of the board of directors of CleanGo will join the board of directors of the Company.

Completion of the Transaction is subject to a number of conditions, including but not limited to the following key conditions:

- Completion of mutually satisfactory due diligence;
- Completion of the Private Placement (see herein);
- Execution of the Definitive Agreement;
- Receipt of all required regulatory, corporate, and third-party approvals, and the fulfillment of all applicable regulatory requirements and conditions necessary to complete the Transaction.

On May 21, 2020, the Company intends to complete a non-brokered private placement (the "Private Placement") of up to 6,000,000 units (the "Units") at a price of C\$0.35 per Unit, for gross proceeds of \$2,000,000, with an additional over allotment of up to 50%. Each Unit will be comprised of one common

share and one-half common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of \$0.60 per share, for a period of two years from the date the Units are issued.

On May 21, 2020, the Company announces the resignation of Jay Ruckenstein as a director.

On June 17, 2020, Softlab9 Technologies Inc. has completed a partial closing with gross proceeds of \$1,105,725 of its non-brokered private placement offering.

The securities sold pursuant to this agreement consist of 3,159,215 units of the issuer at a price of \$0.35 per unit. Each unit consists of one common share and one-half of a transferable common share purchase warrant. Each half warrant will entitle the holder to purchase, for a period of two years from the date of issue, one additional common share of the issuer at an exercise price of \$0.60 per whole warrant. In this agreement, as the context requires securities include any shares issued on exercise of the warrants.

The net proceeds from the offering will be used to working capital purposes.

On July 7, 2020, the Company announced a change of name from Softlab9 Software Solutions Inc. to Softlab9 Technologies Inc. subject to the approval of the Canadian Securities Exchange.

On July 21, 2020, the Company announced the closing of \$0.35 per unit round of private placement for gross proceeds of \$2,681,091 which comprises of 5,621,415 units issued. Each unit consists of one common share of the company and one-half of one transferable share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional share at a price of 60 cents for a term of two years following closing, being July 21, 2022, subject to acceleration. Of the units, 172,000 were issued as securities for debt to current creditors. In addition, the company settled \$404,130 of existing debt into the private placement.

On September 11, 2020, the Company announced has received an extension from the Alberta Securities Commission to complete its acquisition of CleanGo GreenGo Inc.

The company's acquisition of CleanGo is progressing and the parties have entered into an agreement amending their letter of intent to extend the timeline. The parties expect to sign a definitive agreement on or before Oct. 15, 2020.

On October 5, 2020, the company issued 51,545 common shares as payment for debt with total value of \$50,000.

Subsequent to the period ended September 30, 2020, the company issued 7,143 common shares pursuant to a warrant exercise for proceeds of \$4,286.

On October 19, 2020, the Company announced that it has signed a letter of intent (LOI) for the arm's-length acquisition of Kosan Medical Company Ltd., a provider of medical-grade protective apparel and gear (PPE (personal protective equipment)).

Kosan Medical, a wholly owned subsidiary of Kosan Travel Co., has an established network of global suppliers and manufacturing partners of medical-grade PPE, as well as producing its own masks and gowns in Vancouver, B.C. In addition, Softlab9 will also acquire Kosan's existing website, Masks & Equipment, which will provide a platform where businesses and consumers alike can purchase high-quality, medical-grade PPE gear. Many of the products are produced in facilities that are Food and Drug Administration certified, and all products undergo stringent testing to ensure the quality of the goods. Kosan Medical intends to apply for Health Canada approval for all of its products.

The LOI stipulates that Softlab9 will have access to any current production and inventory, as well as new products or services that Kosan Medical develops during final negotiations.

In conjunction with the LOI, the company has provided a secured \$50,000 loan to Kosan Medical and intends to complete due diligence in the coming weeks and have a definitive agreement before the end of October, 2020, that will encompass the full inventory, technology, machinery and rights of Kosan Medical.

On November 20, 2020, entered into a definitive agreement with Cleango for the acquisition of all of the issued and outstanding shares of Cleango (the "Transaction"). The Company is to issue 18,600,000 common shares of the Company to the shareholders of Cleango. An additional 5,400,000 common shares may be issued to certain shareholders of Cleango subject to the satisfaction of certain conditions. The Transaction is a "fundamental change" under Policy 8 of the Canadian Securities Exchange ("CSE") and will be subject to receipt of all required regulatory, corporate, and third-party approvals, and the fulfillment of all applicable regulatory requirements and conditions necessary to complete the Transaction, including approval by the CSE and the shareholders of the Company and Cleango.

On February 1, 2021, the Company has arranged a non-brokered private placement of up to 7.5 million units at a price of 40 cents per unit for gross proceeds of \$3-million. Each unit comprises one common share of the company and one-half common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share at a price of 70 cents per share for a period of 18 months from issuance. Following the expiry of the resale restrictions on the units, if the closing price of the common shares on the Canadian Securities Exchange for 10 consecutive trading days (or the average of the bid and ask prices if not traded) is equal to or greater than \$1 per share, the company may accelerate the expiry time of the warrants by giving written notice within 10 days to warrant holders that the warrants will expire 30 days from the effective date of the notice.

On April 2, 2021, the Company signed a debt settlement agreement on behalf of CleanGo. The Company settled a debt of \$6,900 through issuance of 17,250 units at \$0.40 per unit. Each unit consisted of one common share and one-half of a transferrable common share purchase warrant at \$0.70 per share. As at May 27, 2021, the Company has not yet issued the units.

## OVERALL PERFORMANCE

Since inception, the Company has accumulated a deficit of \$10,015,996 as at March 31, 2021. SOFT expects its operating losses to reduce as it combines the operations of CleanGo.

The Company has funded its operations with proceeds from equity financings and expects to seek additional funding through equity financings to finance its growth initiatives. However, if SOFT does not complete the acquisition of Clean Go, or if capital market conditions in general or with respect to the sector or development stage companies such as SOFT are unfavorable, its ability to obtain additional funding will be adversely affected.

## SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information for the fiscal year ended December 31, 2020 ("**Fiscal 2020**"), and comparable period year ending December 31, 2019 ("**Fiscal 2019**"). The selected financial information set out below has been derived from the Annual Audited Consolidated Financial Statements and accompanying notes, prepared in accordance with IFRS. The selected financial information set out below may not be indicative of the Company's future performance.

	Fiscal 2020 \$	Fiscal 2019 \$	Fiscal 2018 \$
Total revenue	-	-	44
Net loss for the fiscal period	(2,352,257)	(2,151,778)	(5,050,911)
Loss per share, basic and fully diluted	(0.19)	(0.37)	(1.23)
Total assets	1,236,262	172,746	455,088
Total non-current financial liabilities	--	--	--

### QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected unaudited consolidated financial data for each of the last eight fiscal quarters, prepared in accordance with IFRS:

Quarter ended	Revenue \$	Net Income (Loss) \$	Loss per share \$
March 31, 2019 (“Q1 2019”)	--	(927,670)	(0.16)
June 30, 2019 (“Q2 2019”)	--	(298,072)	(0.07)
September 30, 2019 (“Q3 2019”)	--	(149,770)	(0.02)
December 31, 2019 (“Q4, 2019”)	--	(776,266)	(0.09)
March 31, 2020 (“Q1, 2020”)	--	(95,713)	(0.01)
June 30, 2020 (“Q2, 2020”)	--	(552,227)	(0.06)
September 30, 2020 (“Q3, 2020”)	--	(980,144)	(0.06)
December 31, 2020 (“Q4, 2020”)	--	(635,300)	(0.05)
March 31, 2021 (“Q1, 2021”)	--	(189,010)	(0.01)

The Company incurred an impairment on goodwill during Q2 2018 and Q4 2018 on share exchange agreements it entered into. Q2 to Q4 2018 spend consisted of mainly research and development related spend.

## DISCUSSION OF OPERATIONS

### Three Months Ended March 31, 2021

The Company recorded a net loss for the three-months ended March 31, 2021 of \$189,010 (2020: \$(95,713)). The significant items that contributed to the net loss for the three-months ended March 31, 2021 were;

- Consulting and management fees - \$97,000 (2020: \$81,680)
  - Includes fees paid to senior management, consulting fees regarding investor communications and promotional activities.
- Transfer agent and filing fees - \$11,506 (2020: \$6,748)
  - The Company incurred filing and transfer agent fees due to regulatory filings.
- Professional fees - \$80,469 (2019: \$6,038)
  - The Company incurred legal fees related to various legal work and the preparation of an information circular.

### Sources and Uses of Cash

	YTD 2021	YTD 2020
	\$	\$
Cash used in operating activities	(77,958)	(7,228)
Cash provided by investing activities	(15,050)	-
Cash provided by financing activities	-	-
Net (decrease) increase in cash	(93,008)	(7,228)

As at March 31, 2021 the Company had cash of \$48,126 compared to \$141,134 as at December 31, 2020.

The Company had a working capital surplus of \$153,697 at March 31, 2021 compared to a working capital surplus of \$338,082 as at December 31, 2020. The decrease in working capital is mainly due to cash used by operating activities of \$77,958 and investing activities of \$15,050.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Management believes that the Company will require additional working capital to meet its primary business objectives over the next 12 months.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on fiscal management and funding through future equity issuances and through short-term borrowing in order to fund ongoing operations and to meet its obligations. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's general and administrative expenses is disclosed in the notes to the consolidated financial statements for the three months ended March 31, 2021 to which this MD&A relates.

## OUTSTANDING SHARE CAPITAL

As of May 27, 2021, there were 17,496,851 Common Shares issued and outstanding and other securities convertible into Common Shares as summarized in the following table.

	Number Outstanding as of March 31, 2021	Number Outstanding as of December 31, 2020
Common Shares issued and outstanding	17,496,851	17,496,851
Stock options	308,000	308,000
Warrants	4,298,823	4,298,823

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

## RELATED PARTY TRANSACTIONS

- (a) During the three months ended March 31, 2021, the Company incurred \$45,000 (2020 - \$180,000) in consulting and management fees to a company controlled by the Chief Executive Officer of the Company ("CEO"). As at March 31, 2021, the Company owed \$142,184 (2020 - \$94,934) to companies controlled by the CEO which are included in accounts payable, accrued liabilities and due to related parties. As at March 31, 2021, the Company also owed \$500 (2020 - \$500) to the CEO. The amounts owed are non-interest bearing, unsecured, and due on demand.
- (b) During the three months ended March 31, 2021, the Company incurred \$nil (2020 - \$17,500) in consulting and management fees and \$10,500 (2020 - \$31,528) in professional fees to a company controlled by the Chief Financial Officer ("CFO") of the Company. As at March 31, 2021, the Company owed \$11,025 (2020 - \$3,675) to a company controlled by the CFO which is included in accounts payable and accrued liabilities. The amount owed is non-interest bearing, unsecured, and due on demand.
- (c) As at March 31, 2021, the Company owed \$27,531 (2020 - \$27,531) to the former President of the Company. The amount owed is non-interest bearing, unsecured, and due on demand.

## FINANCIAL INSTRUMENTS AND RISKS

The fair value of financial instruments, which includes cash, amounts receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company's financial instruments are exposed to the following risks:

### *Fair Values*

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs

used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, amounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at March 31, 2021, the Company's exposure to credit risk is the carrying value of cash and amounts receivable. The Company reduces its credit risk by holding its cash at a major Canadian financial institution. Amounts receivable mainly consists of GST receivable due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To secure the additional capital necessary to pursue these plans, the Company may have to raise additional funds through equity or debt financing.

As at March 31, 2021, the Company had cash of \$48,126 and accounts payable and accrued liabilities of \$882,073. All accounts payable and accrued liabilities are due within 90 days.

#### *Foreign Exchange Rate Risk*

The Company is not exposed to any significant foreign exchange rate risk.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

### **Additional risk factors**

#### *Coronavirus Pandemic*

The current outbreak of COVID-19 and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions, which may adversely impact the Company's operations, and the operations of its suppliers, contractors and service providers, the ability to obtain financing and maintain necessary liquidity. The outbreak of COVID-19 and political upheavals in various countries have caused significant volatility. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Travel bans and other government restrictions may also adversely impact the Company's operations.

#### *Liquidity of common shares*

There is no guarantee that there will be a resale market for the common shares. The common shares are

not listed on a public stock exchange and therefore, are not as readily available to liquidate in the event a shareholder would like to sell as a common share for a public company listed on a stock exchange.

*Positive Return in an Investment in the Common Shares of the Company is Not Guaranteed*

There is no guarantee that an investment in the Company will earn any positive return in the short term or long term. A purchase of the shares involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

*Dilution*

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares and Class A preferred shares. The Company's shareholders do not have pre-emptive rights in connection with any future issuances of securities by the Company. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of stock options under the Company's stock option plan and upon the exercise of outstanding warrants.

*Negative Cash Flow from Operations*

During three months ended March 31, 2021, the Company had negative cash flows from operating activities. To the extent that the Company has negative cash flow in any future period, the net proceeds from future financings may be used to fund such negative cash flow from operating activities.

*Dependence on Key Personnel*

The Company strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate, although the effect on ongoing operations would be manageable as experienced key operations personnel could be put in place. As the Company's operations expand, additional general management resources will be required.

If the Company expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees is uncertain and failure to do so would have a negative impact on the Company's business plans.

*Conflicts of Interest*

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the *Business Corporations Act* (British Columbia) (the "BCBCA") in dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

### *Intellectual Property*

Our success depends on our ability to protect our proprietary rights and operate without infringing the proprietary rights of others; we may incur significant expenses or be prevented from developing and/or commercializing products as a result of an intellectual property infringement claim.

Our success will depend in part on our ability and that of our corporate collaborators to obtain and enforce patents and maintain trade secrets, both in the United States and in other countries.

The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future protection for our proprietary rights, therefore, is highly uncertain. In this regard there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our corporate collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our corporate collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours duplicate any of our technologies or the technologies of our corporate collaborators or our licensors, or design around the patented technologies developed by us, our corporate collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

The reader is encouraged to review the Company's statutory filings on [www.sedar.com](http://www.sedar.com).