

**PANGENOMIC HEALTH INC.
(formerly Zetta Capital Corp.)**

MANAGEMENT DISCUSSION AND ANALYSIS

Six Months Ended June 30, 2022

This Management Discussion and Analysis (“MD&A”) provides a detailed analysis of the business of Pangenomic Health Inc. (formerly Zetta Capital Corp.) (“PHI” or the “Company”). This MD&A should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the six months ended June 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021 and the related notes, which have been prepared under International Financial Reporting Standards (“IFRS”).

All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including August 25, 2022 (the “Report Date”).

FORWARD-LOOKING STATEMENT

Certain statements contained in this MD&A may constitute “forward-looking statements”. Such term is defined in applicable securities laws. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors and assumptions include, among others, uncertainty relating to the Company’s ability to successfully execute its business plans and intentions, the ability of the Company to raise additional capital to complete its business plans and fund its research and development activities, the commercial viability of the Company’s products under development, the continued availability of key leadership personnel and the ability to attract and retain qualified personnel, general business, economic, and competitive uncertainties; the limited operating history of the Company; the ability to protect, maintain and enforce intangible property rights; future growth plans and the ability to meet business objectives; the acceptance by customers and the marketplace of new products; ability to attract and retain personnel; and expectations with respect to advancement and adoption of new product lines.

While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. Accordingly, readers should not place undue reliance on any such forward-looking information. Further, any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for the Company’s management to predict all of such factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The Company does not undertake any obligation to update any forward-looking information to reflect information, events, results, circumstances or otherwise after the date hereof or to reflect the occurrence of unanticipated events, except as required by law including securities laws.

OVERVIEW

PHI is a precision health company registered as a benefit company under the laws of British Columbia. The Company’s benefit statement is to improve the health and wellness of people by providing a technology platform that identifies plant-based solutions tailored to the health profile of each individual. Through its

subsidiary, Pangenomic Technologies Corp. (“PGT”), the Company is developing a self-care digital platform to deliver personalized, evidence-based information about natural treatments to support a user's specific health needs. The Company's vision is that all people will have access to affordable and effective natural remedies for better health and wellness. The Company's initial focus will be to provide information on personalized natural mental health solutions that can alleviate anxiety and depression.

The Company's Articles provide that the Company commits to promoting the following public benefits:

To promote and improve the health and wellness of people and society by providing a technology platform that identifies plant-based solutions tailored to the health profile of each individual, as the Company's board of directors may from time to time determine to be appropriate.

The Company's Articles further provide that the Company commits to conducting the Company's business in a responsible and sustainable manner, and to promote the above public benefits.

The Company was incorporated under the laws of British Columbia on December 11, 2015 for the purpose of new business ventures. On December 6, 2021, the Company changed its name from Zetta Capital Corp. to Pangenomic Health Inc. The address of the Company's corporate office and principal place of business is 102 – 3800 Wesbrook Mall, Vancouver, BC, V6S 2L9. Effective July 18, 2022, the Company's common shares trade on the Canadian Stock Exchange (“CSE”) under the symbol “NARA”.

On January 10, 2022, the Company entered into an intellectual property asset purchase agreement with LivNao Technologies Inc. (“LivNao Agreement”). Under the terms of the LivNao Agreement, the Company agreed to purchase from LivNao all of LivNao's rights, titles, and interests to the LivNao intellectual property (“LiveNao IP”) for 500,000 common shares to be issued at an agreed upon deemed value of \$0.30 per share, plus \$1,000. Under the terms of the LivNao Agreement, the Company agreed to issue to LivNao up to 1,500,000 additional common shares upon satisfaction of the of the following milestones on or before March 31, 2023:

- 500,000 common shares upon the Nara App having 100,000 active users;
- 500,000 common shares upon the Nara App having 500,000 active users; and
- 500,000 common shares upon the Nara App having 1,000,000 active users.

On February 15, 2022, the Company and LivNao amended the LivNao Agreement to extend the deadline for the completion of the acquisition of the LivNao IP to March 31, 2022.

On March 16, 2022, the Company completed the acquisition of the LivNao IP and issued 500,000 Common Shares to LivNao.

The Company entered into the LivNao Agreement in order to gain access to certain passive data collection technologies and algorithms that can automate aspects of the mental health assessments conducted by users of the Company's Nara consumer app and provide behavioural nudges to users.

On June 28, 2022, the Company completed a subscription receipt offering of 7,365,999 subscription receipts at a price of \$0.15 per subscription receipt for gross proceeds of \$1,104,900. Each subscription receipt is convertible into one unit on satisfaction of the escrow release conditions: (i) 4 business days have passed after the date that a receipt has been issued for a final prospectus to qualify the distribution of the common shares and the warrants issuable upon the conversion of the subscription receipts and (ii) the receipt of conditional approval from the CSE for the listing of the common shares on the CSE. Each subscription receipt will entitle the holder to receive, without any further action on the part of the holder, and for no additional consideration, one unit consisting of one common share of the Company and one warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of two years from the date the subscription receipts are converted into units, subject to the Company's right to accelerate the expiry date of such warrant if the closing price of the

common shares is equal to or greater than \$0.60 per share for 10 consecutive trading days. If the escrow release conditions are not satisfied by August 31, 2022, each subscription receipt will be deemed null and void, and the Company will return to the holders of the subscription receipts the subscription price paid for those subscription receipts plus a pro rata portion of any interest earned thereon. Subsequent to the period ended June 30, 2022, the subscription receipts were converted into units upon the satisfaction of the escrow release conditions.

On June 30, 2022, the Company received receipt of the Company's Long Form Prospectus filed on June 28, 2022, for the purpose of complying with Policy 2 – Qualifications for Listing of the Canadian Securities Exchange (the "CSE" or the "Exchange") to permit PHI to meet one of the eligibility requirements for the listing of the Class A Common Shares (the "Common Shares") of PHI on the CSE. On July 15, 2022, the CSE published a bulletin whereby the Company's shares were approved for listing and commenced trading effective July 18, 2022, under the trading symbol "NARA".

On July 1, 2022, the Company issued a total of 3,000,000 performance warrants to the Company's Executive Chair and the Company's CEO, which will vest and become exercisable at \$0.15 per common share based on the successful completion of certain performance milestones.

On July 18, 2022, the Company issued a total of 7,365,999 units pursuant to the satisfaction of escrow release conditions for the subscription receipts of \$1,104,900 received on June 28, 2022. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of two years.

On July 18, 2022, the Company entered into an agreement for market making services for an initial term of 6 months in consideration for \$7,500 per month, payable quarterly, with such fee subject to an annual increase of 3%. The agreement automatically renews for successive 6 month terms unless terminated by the Company.

On July 19, 2022, the Company entered into an agreement for capital markets advisory, investor relations and corporate strategy services for a monthly fee of \$5,000. In addition, the Company granted 30,000 stock options exercisable at \$0.25 per share for a period of two years, with one-half of the stock options vesting immediately and the remaining one-half vesting 3 months thereafter.

On July 29, 2022, the Company issued 25,000,000 common shares pursuant to the conversion of 10,000,000 Class B preferred shares.

Products and Services

The Company, through its subsidiary PGT, is developing its products using machine learning functionality to enable predictive analytics and personalization of mental health support resources. Community-based supported resources are curated by leveraging machine learning models using sentiment analysis.

The core products offered by the Company are a mobile app for consumers ("Nara") and a digital therapeutics clinic platform for health practitioners ("PlantGx"). The Nara mobile app will provide consumers with a knowledge base tailored to an individual's unique user profile, leveraging input from mental health questionnaires, current drug treatment regimen, genomic sequencing analysis, as well as their protein and microbiome biomarker reports. The PlantGx digital therapeutics clinic platform will provide health practitioners with access to the consumer's mobile app data and their diagnostic reports. This enhances identification of appropriate natural remedy treatments and allows practitioners to track their patient's natural treatment progress and effectiveness. The Company's planned lab based services will provide health practitioners with proprietary genetic and protein biomarkers that will be developed to assist in tracking patient response to natural treatments. Until the Company is able to develop its own labs services, it will rely on third-party diagnostic labs for multi-omic analysis of blood, urine, stool and saliva specimens.

The Company anticipates that its initial revenue will be earned from monthly subscription fees and one-time fees paid by consumers for access to premium services on the Nara app. Revenue will also be earned from monthly subscription fees paid by health practitioners for access to an advanced knowledge base and treatment analytics, as well as fees earned for new patient and biomarker test referrals.

App for Consumers

The Company's Nara mobile app provides users with personalized information about non-pharmaceutical alternatives to address mental health concerns. The Nara app is available for download in North America on the Apple App Store and the Google Play Store. The company anticipates updates to be released each quarter. The free Nara App includes a plant medicine library, curated articles, a mental wellness tracker, a community forum and access to DNA insight reports to learn how genetics may impact the effectiveness of natural remedy solutions. The Company anticipates that the Nara app will be used by a wide-range of consumers interested in information about alternative plant-based medicine.

At appropriate stages, the app will refer consumers to a local health practitioner for professional treatment, and the individual will have the option to make their app data available to the health practitioner in the Company's PlantGx product. As the Nara app develops a deeper profile of the consumer through questionnaires, journaling and biomarker and genomics testing, it will provide more tailored information to the consumer about natural treatments.

The Nara consumer app handles highly personal health data, and the Company plans to ensure that such data will be strongly encrypted. Data shared within the app is owned by the user and will not be shared with third party organizations without the user's consent. The Company will adhere to the health data and privacy laws in relevant jurisdictions, such as compliance with the Health Insurance Portability and Accountability Act (HIPAA) in the United States.

Digital Therapeutics Clinic Platform for Health Practitioners

The Company is developing the PlantGx digital therapeutics clinic platform, which will provide health practitioners with access to user health data from the Nara app by the patient and to receive patient referrals. The Company plans to launch the PlantGx clinical platform in Canada and the United States by the fourth quarter of 2022 with planned updates to be released each quarter. The Company anticipates that the clinic platform will be used by a variety of health-practitioners including medical doctors, naturopathic doctors, pharmacists, herbalists and counsellors.

The clinic platform accesses and analyzes data from pharmacogenomics, proteomics, nutrigenomics and ethnobotany research, together with data from an individual's genome sequence (whole genome, whole exome or single nucleotide polymorphisms), an individual's protein biomarkers and gut microbiome profile. By aggregating and curating health data from active and passive sources, the PlantGx clinic platform translates data into concise, actionable insights for a health practitioner that provide targeted information for effective treatment of patients using a variety of natural treatments.

Many natural remedy compounds contain active ingredients that bind to and activate key receptors in the body. One of the challenges of using natural treatments is the differential individual patient dose responses, change in tolerance within individual patients and the inability to effectively monitor patients undergoing treatment effectively in a quantitative manner. Monitoring a patient's biomarker levels, determining appropriate dosing and confirming efficacy will assist in driving appropriate usage and demand for natural compounds.

Underpinning the Company's PlantGx platform is , the scalable Excelar digital health platform acquired by the Company that provides:

- A secure data capture and analytics platform;
- Proven privacy & security compliance data management;

- Electronic health/medical records integration;
- Cross linking and integration of data across patient continuum of care; and
- User consent support for research data and data sharing for clinical referrals.

Proprietary Protection

We protect our intellectual property rights through a combination of patents, trademarks and trade secret laws as well as contractual provisions. The Company uses non-disclosure agreements with business partners, prospective customers, and other relationships where disclosure of proprietary information may be necessary. We also use such agreements with our employees and consultants which assign to us all intellectual property developed in the course of their employment or engagement. We also secure from such individuals obligations to execute such documentation as is reasonably required by the Company to evidence our ownership of such intellectual property.

We have filed trademark applications in Canada covering the word marks "Nara", "Nustasis", "PanGenomic", and "PlantGx".

The Company uses machine learning primarily for predictive analytics and personalization of mental health support resources for the end user. A significant portion of our proprietary technology focuses on data collection and data normalization including data categorization and labeling.

The Nara consumer app collects a diverse set of user data including user demographic profile information, lifestyle data such as alcohol and substance use as well as mental health risk factors relating to the user's health conditions such as specific chronic diseases. The app captures standardized GAD7 anxiety and PHQ9 depression questionnaire data, as well as normalized user journey data including mood, sleep, and cognition, and tracks changes in the user parameters over time. User medication regimen data includes anti-anxiety, anti-depression, as well as other pharmaceutical medications, and natural treatments. The predictive personalization model is augmented by user feedback based on support resources that the user found useful, shared, or liked. Community-based supported resources are curated leveraging machine learning models using sentiment analysis.

The Company's data model domains also include multi-dimensional biomarkers such as gene, protein, metabolite, and microbiome. As our system uses a multi-domain approach, the machine learning model being developed uses a distributed machine learning approach to overlay and enhance the personalization based on available user data.

As a result of the completion of the acquisition of the LivNao IP on March 16, 2022, the Company also has rights to pending patent claims from an international Patent Cooperation Treaty application filed in January 2021 (the "PCT Application"), bearing the Publication Number WO/2021/144652 and International Application Number PCT/IB2021/000013, for a "Mental Health Management Platform" (the "Patent Claims"). The Patent Claims are related to "systems and methods for monitoring an individual's behaviour, via passive collection of data associated with the individual, and determining a mental health status of the individual based on such behaviour". The Company believes that the Patent Claims will support the intellectual property rights of the Nara App, as such claims relate to planned product enhancements that will enable passive data collection from the mobile phones of Nara App users.

FUTURE PLANS

The Company through its subsidiary, PGT, will focus on the initial revenue that is expected to be earned from monthly subscription fees and one-time fees paid by consumers for access to premium services on the Nara app. Revenue is also expected to be earned from monthly subscription fees paid by health practitioners for access to the PGx platform that will provide an advanced knowledge base and treatment analytics, as well as fees earned for new patient and biomarker test referrals.

PROPOSED TRANSACTIONS

In the normal course of business, management actively targets sources of additional financing through alliances with financial entities or other business and financial transactions which would assure continuation of the Company's operations and technology programs. As of the Report Date the Company has no proposed transactions other than what has been outlined in the MD&A.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information derived from the Company's consolidated financial statements prepared in accordance with IFRS.

Period	Total revenue \$	Loss and comprehensive loss for the period \$	Net loss per share, basic and fully diluted \$
June 30, 2022	-	(807,790)	(0.02)
March 31, 2022	-	(821,332)	(0.02)
December 31, 2021	-	(2,391,244)	(0.10)
September 30, 2021	-	(115,946)	(0.01)
June 30, 2021	-	(72,465)	(0.01)
March 31, 2021	-	(69,667)	(0.01)
December 31, 2020	-	(80,019)	(0.01)
September 30, 2020	-	(47,933)	(0.01)

RESULTS OF OPERATIONS

The Company incurred a net loss of \$1,629,122 for the period ended June 30, 2022 (2021 - \$167,132). The increase in the net loss for the period ended June 30, 2022 was primarily due to the increase in operating activities as the Company completed the PGT acquisition. Details of material expenses are as follows:

- advertising and promotion of \$200,604 (2021 - \$25,000) primarily relating to a service agreement entered into whereby the service provider would launch a strategic digital marketing campaign to build brand recognition and awareness and to gain access to potential customers, vendors and partners;
- consulting fees of \$493,509 (2021 - \$77,000) relating to various services pertaining to potential business ventures including consulting fees of \$254,500 to related parties (see section "Related Party Disclosures" below);
- professional fees of \$156,897 (2021 - \$42,436) relating to accounting and legal work primarily relating to the Long Form Prospectus and listing on the CSE;
- rent of \$6,000 (2021 - \$Nil) for a short-term office space entered into during the year ended December 31, 2021;
- transfer agent and filing fees of \$8,382 (2021 - \$7,437) primarily relating to the Long Form Prospectus and listing on the CSE;
- research and development of \$351,144 (2021 - \$Nil) relating to consulting fees for developing the Company's products using machine learning functionality to enable predictive analytics and personalization of mental health support resources;
- wages and benefits of \$182,008 (2021 - \$Nil) relating to employees hired for development resource, market analysts and research and development; and
- Non-cash share-based compensation of \$202,215 for the performance warrants issued to the former VP Finance and stock options issued to directors, officers, and consultants.

The Company incurred a net loss of \$807,790 for the three months ended June 30, 2022 (2021 - \$92,377). The increase in the net loss for the three months ended June 30, 2022 was primarily due to the increase in

operating activities as the Company completed the PGT acquisition. Details of material expenses are as follows:

- advertising and promotion of \$67,297 (2021 - \$Nil) primarily relating to a service agreement entered into whereby the service provider would launch a strategic digital marketing campaign to build brand recognition and awareness and to gain access to potential customers, vendors and partners;
- consulting fees of \$258,009 (2021 - \$56,000) relating to various services pertaining to potential business ventures including consulting fees of \$146,000 to related parties (see section “Related Party Disclosures” below);
- professional fees of \$90,627 (2021 - \$24,776) relating to accounting and legal work primarily relating to the Long Form Prospectus and listing on the CSE;
- rent of \$3,000 (2021 - \$Nil) for a short-term office space entered into during the year ended December 31, 2021;
- transfer agent and filing fees of \$2,092 (2021 - \$5,625) primarily relating to the Long Form Prospectus and listing on the CSE and acquisition of PGT;
- research and development of \$191,590 (2021 - \$Nil) relating to consulting fees for developing the Company’s products using machine learning functionality to enable predictive analytics and personalization of mental health support resources;
- wages and benefits of \$109,661 (2021 - \$Nil) relating to employees hired for development resource, market analysts and research and development; and
- Non-cash share-based compensation of \$67,111 for the performance warrants issued to the former VP Finance and stock options issued to directors, officers, and consultants.

LIQUIDITY

During the period ended June 30, 2022, the Company has not generated any revenues. The Company started the year with working capital of \$1,335,954. As at June 30, 2022, the Company had working capital of \$1,014,206 and an accumulated deficit of \$4,616,316. The Company’s performance was as follows:

	June 30, 2022	June 30, 2021	Change
	\$	\$	
Cash used in operating activities	(1,195,074)	(176,350)	(1,018,724)
Cash provided by investing activities	(3,445)	(250,000)	246,555
Cash provided by financing activities	1,104,900	792,651	312,249

Operating Activities

Operating activities generated a net cash outflow of \$1,195,074 (2021 - \$176,350). The use of cash increase is primarily attributable to the acquisition of PGT during the year ended December 31, 2021 and the filing of the Long Form Prospectus and listing on the CSE.

Investing Activities

Investing activities consisted of the purchase of equipment totaling \$3,445.

Financing Activities

The cash inflow relates to the subscription receipt offering of 7,365,999 subscription receipts at a price of \$0.15 per subscription receipt for gross proceeds of \$1,104,900.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in assets will depend on management’s ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

RELATED PARTY DISCLOSURES

As at the Report Date, the directors, officers and management of the Company are as follows:

Vincent Lum, Chief Executive Officer (“CEO”) and Director
 Robert Nygren, Executive Chair and Director
 Peter Green, Director
 Jonathan Lutz, Director
 Tammy Gillis, Chief Financial Officer (“CFO”), Treasurer and Secretary
 Colin Quon, Chief Technology Officer (“CTO”)
 Kaidong Zhang, Chief Scientific Officer (CSO”)
 Tony Louie, Former Director and Former CEO
 Kent Carasquero, Former Director and Former VP Finance (“VP Finance”)

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel. The following are the remuneration of the Company’s related parties for the periods ending:

	June 30, 2022	June 30, 2021
	\$	\$
CEO and Director, for consulting fees	60,000	-
CFO, for consulting fees	12,000	-
Executive Chair and Director, for consulting fees	60,000	-
CSO, for consulting fees	60,000	-
Company controlled by the CTO for consulting fees	30,000	-
Company controlled by the CTO for research and development	362,624	-
Director, for consulting fees	15,000	-
Director, for consulting fees	17,500	-
Former VP Finance, for consulting fees	-	60,000
Former CEO, for consulting fees	-	12,000
Share-based compensation	157,297	-
	774,421	72,000

Amounts due to related parties are non-interest bearing, unsecured and due on demand.

	June 30, 2022	December 31, 2021
	\$	\$
CFO	2,100	-
Executive Chair and Director	500	(1,600)
CSO	20,587	37,869
CTO	-	15,730
Company controlled by the CTO	114,812	91,985
Directors	5,125	-
Former VP Finance*	-	13,676
Former CEO*	-	6,000
	143,124	163,660

*Amounts owing to the former VP Finance and former CEO have been reclassified to accounts payable at June 30, 2022.

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, 2022, and have not been early adopted in preparing the interim condensed consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of unlimited common shares without par value and unlimited number of Class B preferred shares without par value. As at the Report Date, there were 71,615,972 (June 30, 2022 – 39,249,973) common shares and Nil Class B preferred shares (June 30, 2022 - 10,000,000) outstanding. On July 29, 2022, the Company issued 25,000,000 common shares pursuant to the conversion of 10,000,000 Class B preferred shares.

As at the Report Date the following stock options were outstanding:

	Exercise	
	Price	Expiry Date
1,890,000	0.15	December 27, 2024
1,000,000	0.15	January 10, 2025
150,000	0.15	October 31, 2024
30,000	0.25	July 19, 2024
10,000	0.30	February 28, 2025
3,080,000		

As at the Report Date the following share purchase warrants were outstanding:

	Exercise Price	Expiry Date
4,322,198	0.10	January 13, 2023
500,000	0.10	January 21, 2023
3,000,000	0.15	July 1, 2025
4,098,453	0.30	April 22, 2023
6,945,294	0.30	July 23, 2023
5,863,966	0.30	September 16, 2023
500,000	0.30	October 25, 2023
7,365,999	0.30	July 7, 2024
<u>32,595,910</u>		

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, and accumulated deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2022. The Company is not subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, foreign exchange rate and interest rate. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and loans receivable. The Company minimizes its credit risk associated with its cash and cash equivalents by dealing with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. 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 interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

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 and cash equivalents, amounts receivable (except GST receivable), loan receivable, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate are mitigated. The risks and uncertainties described in the MD&A for the year ended December 31, 2021 are considered by management to be the most important in the context of the Company's business and are substantially unchanged as of the Report Date. Those risks and uncertainties are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the Report Date. Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional personnel in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased personnel only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, and the integrity and reputation of senior accounting personnel.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.