

**SureNano Science Ltd.**

**Management's Discussion and Analysis**

**Year Ended March 31, 2023**

## Table of Contents

Business Overview.....	1
Business Developments.....	1
Licensing Agreements.....	2
Fiscal 2023 .....	2
Fiscal 2022 .....	2
Fiscal 2021 .....	3
Commitments.....	3
<i>Joint Arrangement</i> .....	3
<i>Marketing Agreement</i> .....	3
<i>Research Agreement</i> .....	3
Financial.....	4
Selected Annual Information.....	4
Summary of Quarterly Results .....	4
Results of Operations .....	5
Liquidity and Capital Resources.....	6
Related Party Transactions.....	6
Significant Accounting Policies .....	7
Capital Management .....	7
Fair Value Measurements and Risk Management .....	7
Management’s Report on Internal Controls Over Financial Reporting.....	8
Off-Balance-Sheet Arrangements.....	9
Principal Business Risks .....	9
Share Capital.....	11
Stock Options.....	11
Outstanding Share Information.....	11
Additional Information .....	11

## **SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

*The following is management's discussion and analysis ("MD&A") of SureNano Science Ltd. ("SureNano" or the "Company"), prepared as of July 6, 2023. This MD&A is intended to assist the reader to assess material changes in the financial condition and results of operations of SureNano as of March 31, 2023 and for the year then ended. This MD&A should be read together with the audited annual financial statements for the year ended March 31, 2023 and related notes. Financial amounts are expressed in Canadian dollars unless otherwise indicated.*

*This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "seeks", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might", "likely" or "will" be taken, occur or be achieved.*

*To the extent that such statements are not recitations of historical fact, such statements constitute forward-looking statements which, by definition involve risks and uncertainties. Where in any forward-looking information, the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished.*

*Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.*

*The Company's audited annual financial statements for the year ended March 31, 2023 (the "Financial Statements") have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee*

## **Business Overview**

SureNano was incorporated under the *Business Corporations Act* in British Columbia on January 14, 2021. The principal business of the Company is the sale and distribution of the SureNano™ surfactant, which is a ready-to-mix food grade compound that provides the base for high performance nano-emulsions to create incredibly homogeneous and stable products while maximizing bioavailability, clarity, and taste. The Company has exclusive licenses to distribute the SureNano™ surfactant within Canada, the State of Colorado, USA and the State of Oklahoma, USA.

The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "SURE" and are trading on the OTCQB Venture Market ("OTCQB") under the stock symbol "SURNF". The Company's head office is located at 350 – 1650 West 2nd Avenue, Vancouver, British Columbia.

## **Business Developments**

- In June 2022, the Company entered into a licensing agreement with 1150641 BC Ltd. ("1150641"), a company controlled by a director of the Company, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Oklahoma, USA, with respect to current and future products developed by 1150641. See *Licensing Agreements* below.
- In September 2022, the Company announced that its common shares are trading on the OTCQB under the stock symbol "SURNF". In January 2023, the Company received approval from Depository

## **SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

Trust Company ("DTC") to be DTC eligible, making the Company's common shares available for electronic clearing and settlement through DTC's automated processes.

- In September 2022, the Company entered into a new joint arrangement for the purpose of developing and marketing a new product. The new product is a powder nanoemulsion, provisionally called "SureNano™ powder", and is in development by 1150641. See *Joint Arrangement* below.
- In September 2022, the Company amended certain licensing agreements with 1150641 to include SureNano™ powder within the rights to produce, distribute, and enter into sub-licenses or agreements within Colorado and Canada. See *Licensing Agreements* below.
- In November 2022, the Company announces that at its annual general and special meeting held on November 24, 2022, SureNano's shareholders approved by majority: to elect all four directors standing for election; appoint Buckley Dodds LLP as the auditors for the Company; and to approve the Company's 10% rolling stock option plan. Additionally, Doug Bachman was appointed as a new member of the Company's board of Directors whilst Mark Scott stepped down from his role as Director. Mr. Bachman is currently a director of Rebel Capital 2.0 Corp. Mr. Bachman also acts as a consultant advising private and public companies on M&A activity. Mr. Bachman brings more than 25 years' experience of Corporate Finance and Management from a major financial institution. This experience has provided him with extensive knowledge in credit, wealth management, team building and leadership.

## **Licensing Agreements**

### ***Fiscal 2023***

In June 2022, the Company entered into a licensing agreement (the "Oklahoma Licensing Agreement") with 1150641, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Oklahoma, USA, with respect to current and future products developed by 1150641. The Oklahoma Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the rights and licenses, the Company paid \$10,000 and agreed to pay an on-going royalty calculated as 20% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per year.

### ***Fiscal 2022***

In June 2021, and as amended in September 2022, the Company entered into a licensing agreement (the "Colorado Licensing Agreement") with 1150641, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within the state of Colorado, USA, with respect to the SureNano™ surfactant and the SureNano™ powder nanoemulsion (the "Products"), which is owned by 1150641. The Colorado Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the rights and licenses, the Company paid \$25,000 and agreed to pay an on-going royalty calculated as 25% of net sales, which is payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per year.

**SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

***Fiscal 2021***

In February 2021, and as amended in September 2022, the Company entered into a licensing agreement (the "Licensing Agreement") with 1150641, whereby the Company was granted an exclusive license and right to produce, distribute, and enter into sub-licenses or agreements within Canada with respect to the Products. The Company was also granted the first right of refusal over licenses and rights to the Product in Europe over the life of the Licensing Agreement. The Licensing Agreement is for an initial term of 10 years, with an option to renew for an additional 10 years upon the Company providing written notice to 1150641 prior to the expiration of the initial term.

In consideration for the exclusive license and rights, the Company paid the following:

- (a) \$50,000 within three business days of signing the Licensing Agreement (paid);
- (b) \$50,000 on March 31, 2021 (paid);
- (c) \$50,000 on June 30, 2021 (paid); and
- (d) \$50,000 on September 30, 2021 (paid).

The Company also agreed to pay an on-going royalty calculated as 25% of net sales, which are payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per year.

**Commitments*****Joint Arrangement***

In September 2022, the Company entered into a joint arrangement with 1150641, a company controlled by a former Director of the Company. The Company and 1150641 agree to make contributions to a common fund for the purpose of developing and marketing worldwide a new product under development by 1150641, the SureNano™ powder nanoemulsion (the "Business Interest") and sharing equally in the profits thereof. The parties have rights to the assets, and obligations for the liabilities, relating to the joint arrangement on a proportionate basis. As a result, the joint arrangement has been recognized as a joint operation. Neither of the parties involved have unilateral control of the joint operation. The Company accounts for its 50% interest in the joint operations by recognizing separately its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. The Company records 50% of all operational activity in its financials including 50% of all assets and liabilities. As at March 31, 2023, the joint operations did not have any assets or liabilities. During the year ended March 31, 2023, the Company recognized research and development expense of \$30,000 pursuant to the joint operation.

***Marketing Agreement***

In January 2022, the Company entered into an agreement with a marketing firm to provide media and marketing services for a term of 1 year, whereby the marketing firm will receive monthly compensation of \$6,500. In addition, the Company granted the marketing firm 200,000 stock options, which were subject to vesting terms and exercisable at a price of \$0.30 per common share. The stock options granted to this marketing firm expired on February 15, 2023.

***Research Agreement***

In June 2021, the Company entered into a collaborative research agreement with 1150641 (the "Collaborative Research Agreement"), whereby the Company and 1150641 will participate in a collaborative research project regarding the use of surfactants in cannabis oil and the products resulting therefrom and does not include the development of new surfactant formulae. Pursuant to the agreement, the Company

**SureNano Science Ltd.**

Management's Discussion and Analysis

Year Ended March 31, 2023

agreed to pay and contribute half of the amounts required to pay for invoices of consultants in carrying out the research project to a maximum of \$100,000 during every six months of the term of the agreement. In addition, the Company was also responsible for covering half of the \$34,464 already paid by 1150641. The initial term of the agreement was 1 year and was extended by mutual agreement. The agreement may be terminated with 90 days prior written notice by either party.

**Financial*****Selected Annual Information***

The following provides a summary of the Company's financial position and results of operations:

	Year ended March 31, 2023	Year ended March 31, 2022
	\$	\$
Loss for the period	(384,019)	(1,118,661)
Basic loss per share	(0.02)	(0.06)
Total assets	317,605	686,444
Total liabilities	57,897	36,495
Working capital	251,583	649,949
Weighted average number of shares	21,457,800	20,239,449

***Summary of Quarterly Results***

The table below provides a summary of selected quarterly information from the periods ended June 30, 2021 to March 31, 2023.

	Quarter ended			
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Revenues	-	-	-	-
Net loss	(59,116)	(77,440)	(130,956)	(116,507)
Net loss per share	-	-	(0.01)	(0.01)
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revenues	-	-	9,000	9,000
Net loss	(219,092)	(151,363)	(151,862)	(596,344)
Net loss per share	(0.01)	(0.01)	(0.01)	(0.03)

Notable differences in the results of operations relate to:

## **SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

- June 30, 2021 – The Company's expenses increased in the current period due to increased business activity. Expenses included professional fees related to financings and regulatory matters and research and development expenses pursuant to the Collaborative Research Agreement. The Company also incurred a license fee expense of \$75,000 pursuant to the licensing agreements and share-based compensation expense of \$403,817 with the grant of options in the period.
- September 30, 2021, and December 31, 2021– The Company incurred expenditures primarily related to the licensing and research agreements.
- March 31, 2022 - The Company incurred expenditures primarily related to the licensing and research agreements of \$50,072. The Company also incurred advertising fees of \$27,021 and filing fees of \$35,338 in the period.
- June 30, 2022 – The Company incurred expenditures primarily related to consulting fees of \$38,897 and advertising fees of \$15,500. The Company also incurred management fees of \$24,750 and filing fees of \$7,770.
- September 30, 2022 – The Company incurred increased professional fees of \$41,543 primarily relating to the finalizing of the 1150641 Joint Arrangement. The Company also incurred research and development expenses of \$34,064, of which \$30,000 relates to the 1150641 Joint Arrangement.
- December 31, 2022 – The Company incurred expenditures primarily related to consulting fees of \$16,001 and professional fees of \$21,894. The Company also incurred management fees of \$24,000.
- March 31, 2023 – The Company incurred expenditures primarily related to consulting fees of \$16,000 and professional fees of \$11,208. The Company also incurred management fees of \$24,000

### ***Results of Operations***

During the three months March 31, 2023, the Company incurred a net loss of \$59,116 (March 31, 2022 - \$219,092).

The expenses and related costs that reflect significant changes in the Company's operations during the three months ended March 31, 2023 include the following:

- Consulting fees during the three months ended March 31, 2023 amounted to \$16,000 (March 31, 2022 - \$53,265), of which \$15,000 (March 31, 2022 - \$19,000) relates to services provided by a company controlled by the son of the CFO of the Company.
- Professional fees include audit and legal fees in the normal course of business operations. During the three months ended March 31, 2023, the Company recognized professional fees of \$11,208 (March 31, 2022 - \$5,329).
- Research and development fees include amounts required to carry out the research project pursuant to the Collaborative Research Agreement and the 1150641 Joint Arrangement. During the three months ended March 31, 2023, the Company recognized research and development of \$490 (March 31, 2022 - \$45,572).

During the year ended March 31, 2023, the Company incurred a net loss of \$384,019 (March 31, 2022 - \$1,118,662).

The expenses and related costs that reflect significant changes in the Company's operations during the year ended March 31, 2023 include the following:

- Consulting fees during the year ended March 31, 2023 amounted to \$118,117 (March 31, 2022 - \$110,132), of which \$72,000 (March 31, 2022 - \$49,000) relates to services provided by a company controlled by the son of the CFO of the Company.
- License fee represents consideration paid to 1150641 pursuant to the licensing agreements for the exclusive licenses and rights for the SureNano™ surfactant in the State of Oklahoma. During the year

## **SureNano Science Ltd.**

### Management's Discussion and Analysis Year Ended March 31, 2023

ended March 31, 2023, the Company recognized a license fee of \$10,000 (March 31, 2022 - \$125,000).

- Professional fees include audit and legal fees in the normal course of business operations. During the year ended March 31, 2023, the Company recognized professional fees of \$78,791 (March 31, 2022 - \$115,855).
- Research and development fees include amounts required to carry out the research project pursuant to the Collaborative Research Agreement and the 1150641 Joint Arrangement. During the year ended March 31, 2023, the Company recognized research and development of \$38,944 (March 31, 2022 - \$102,361), of which \$30,000 relates to research and development associated with the 1150641 Joint Arrangement (March 31, 2022 - \$nil).
- Royalties relate to the ongoing royalties payable to 1150641 pursuant to the terms of the licensing agreements. During the year ended March 31, 2023, the Company recognized royalty expense of \$nil (March 31, 2022 - \$4,500).

### ***Liquidity and Capital Resources***

At March 31, 2023, the Company had cash of \$276,991 (March 31, 2022 - \$667,092) and working capital of \$251,583 (March 31, 2022 - \$649,948). For the year ended March 31, 2023, the Company had negative cash flows from operations.

Factors that may affect the Company's liquidity include the Company's ongoing royalty expenses pursuant to its licensing agreements relating to the SureNano™ surfactant. The ongoing royalties are calculated as 20% - 25% of net sales, payable within 30 days of the end of each fiscal quarter. In the event any royalty is not paid when due, interest on such unpaid amount will be payable at a rate of 8% per year. The Company also has financial commitments requiring cash outflows as outlined in the *Commitments* section of this MD&A below.

The Financial Statements of the Company have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future.

The Company expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities as they become due. These factors indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the Financial Statements would require adjustments to the amounts and classifications of assets and liabilities.

### ***Related Party Transactions***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that its key management personnel are the members of the Company's current and former Board of Directors and its executive officers.

- (a) During the year ended March 31, 2023, the Company incurred management fees of \$90,000 (2022 - \$67,500) to the Chief Executive Officer ("CEO") of the Company. As at March 31, 2023, the Company owed \$36,567 (2022 - \$7,875) to the CEO. The amount is non-interest bearing, unsecured and due on demand.
- (b) During the year ended March 31, 2023, the Company incurred management fees of \$7,500 (2022 - \$47,250) to the Chief Financial Officer ("CFO") of the Company.



## **SureNano Science Ltd.**

### Management's Discussion and Analysis

Year Ended March 31, 2023

- (c) During the year ended March 31, 2023, the Company incurred royalties of \$nil (2022 – \$4,500) and license fees of \$10,000 (2022 – \$125,000) to a company controlled by a former Director of the Company. As at March 31, 2023, the Company owed \$nil (2022 – \$4,710) to a company controlled by a former Director of the Company. The amount is non-interest bearing, unsecured and due on demand.
- (d) During the year ended March 31, 2023, the Company incurred professional fees of \$15,000 (2022 - \$nil) and consulting fees of \$72,000 (2022 – \$49,000) to a company controlled by the son of the CFO of the Company. As at March 31, 2023, the Company owed \$15,106 (2022 – \$3,199) to the son of the CFO of the Company. The amount is non-interest bearing, unsecured and due on demand.
- (e) During the year ended March 31, 2023, the Company purchased processing equipment for \$20,000 (2022 - \$nil) and recognized a recovery of rent expense of \$49,500 (2022 - \$nil), which has been netted against office and miscellaneous, from a company with common directors and officers of the Company.
- (f) During the year ended March 31, 2023, the Company incurred research and development expenses of \$30,000 in connection with a joint venture agreement with a company controlled by a former Director of the Company.
- (g) During the year ended March 31, 2023, the Company incurred share-based compensation of \$nil (2022 – \$302,863) to officers and directors of the Company.

### ***Significant Accounting Policies***

The Company's significant accounting policies, estimates, and judgements have been outlined in note 2 of the Financial Statements.

### ***Capital Management***

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's capital management during the year.

### ***Fair Value Measurements and Risk Management***

#### (a) Fair Values

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - 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).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Company has recorded its cash at fair value using level 1 inputs. The fair values of the Company's

**SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

other financial instruments, which include amounts receivable, accounts payable, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**(b) Credit Risk**

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including accounts receivable. Amounts receivable consists of government sales tax recoverable and trade receivables from customers. Of the Company's trade receivables outstanding as at March 31, 2023, 100% (2022 – nil%) is held with 1 (2022 – nil) customer of the Company. The carrying amount of these financial assets represents the maximum credit exposure.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. 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.

**(d) Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

**(i) Interest Rate Risk**

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest-bearing borrowings.

**(ii) Foreign Exchange Rate Risk and Interest Rate Risk**

The Company is not currently exposed to foreign exchange rate risk or interest rate risk.

**(iii) Price Risk**

The Company is not exposed to significant price risk.

**(e) Economic Dependence Risk**

Economic dependence risk is the risk of reliance upon a select number of customers which significantly impact the financial performance of the Company. During the year ended March 31, 2023, the Company recorded sales from nil (2022 – one) customer of the Company representing nil% (2022 – 100%) of total revenue.

**Management's Report on Internal Controls Over Financial Reporting**

In connection with National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and respective accompanying

**SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

MD&A. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting as defined in NI 52-109.

**Off-Balance-Sheet Arrangements**

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

**Principal Business Risks***Limited Operating History*

The Company is in the early stages of operations and as a result it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating requirements it will need to be successful in its growing, marketing and sales efforts. Additionally, where the Company experiences increased sales, SureNano's current operational infrastructure may require changes to scale the Company's business efficiently and effectively to keep pace with demand and achieve long-term profitability. If the Company's products and services are not accepted by new customers, SureNano's operating results may be materially and adversely affected.

*Negative Cash Flow*

The Company has a history of negative cash flow and losses, and it does not expect that to change in the short term. The Company has had negative operating cash flow since its date of incorporation, and the Company will continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will ever attain positive cash flow or profitability.

*Competition*

The Company faces competition from other companies, some of which have longer operating histories and greater financial resources, and manufacturing and marketing experience than the Company. The Company's current and prospective competitors offer surfactants for the creation of nanoemulsions in the cannabis, food and beverage, cosmetic and pet food industries. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and financial performance of the Company.

Since the cannabis industry is a relatively new industry, the Company expects to face additional competition from new entrants. If the number of users of legal cannabis edibles, topicals and extracts, including cannabis beverages, in Canada increases, the Company expects that competition will become more intense, as more competitors enter the market and target the cannabis industry. To remain competitive, the Company may require additional investment in research and development, marketing, sales and customer support. Failure to maintain or adequately support such efforts in the future on a competitive basis could materially and adversely affect the business, financial condition and financial performance of the Company.

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to competition in the surfactant industry, the Company's ability to continually produce a desirable and effective product,

## **SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

and the continued growth in the aggregate number of customers using nanoemulsions and selecting the Company's Products as part of its process.

### **Management Experience**

The Company's success is currently largely dependent on the performance of its directors and officers. The business of supplying surfactants for nanoemulsion to the cannabis industry is a new business and it has yet to be seen whether the Company's management will operate well in it. While the Company's management team has some related experience, there are many unknowns. Its management team may lack the management or technical expertise required to make this business a success. The experience of these individuals is a factor that will contribute to the Company's potential success and growth. The Company will initially be relying on its board members, as well as independent consultants, for certain aspects of its business. The amount of time and expertise expended on the Company's affairs by each of its management team and directors will vary according to its needs. The Company does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any member of management, the board, or any key consultant, could have a material adverse effect on the Company's future. Investors who are not prepared to rely on the Company's management team should not invest in its securities.

### **Demand for Products**

The actual market for our SureNano's products could be significantly smaller than anticipated and if customer demand for products does not meet expectations, the Company's ability to generate revenue and meet financial targets could be adversely affected. While the Company expect strong growth in the markets for its products, it is possible that the growth in some or all of these markets may not meet expectations, or materialize at all. The methodology on which the Company estimates its total potential market opportunity includes several key assumptions based on our industry knowledge and customer experience. If any of these assumptions proves to be inaccurate, then the actual market for our SureNano products could be significantly smaller than expected.

### **Supply Risk**

Delays in the delivery of ingredients to the manufacturer or of the product to customers could have a material, negative impact on the Company's operations. The Company currently relies on one manufacturer to source most ingredients and manufacture and deliver the SureNano™ surfactant to its customers. The Company also currently relies on one supplier for the ingredient that it sources and sends to the manufacturer. There are many other manufacturers and suppliers that the Company could engage to source ingredients and produce and deliver the SureNano™ surfactant but changing manufacturers or suppliers could cause significant delays and expense. There could be delays to the production and delivery of product to customers, which could lose customers and have a negative impact on the Company's financial position.

### *Legality of Cannabis and Cannabis-Related Activities Under U.S. Federal Law*

Although the Corporation's cannabis-related activities are permitted by states in which it operates, these activities remain illegal under U.S. federal law. Cannabis remains a Schedule 1 controlled substance under federal law, and the penalties for violating the U.S. Controlled Substances Act ("CSA") are very serious and, depending on the quantity of cannabis involved, may include criminal penalties of up to twenty (20) years in prison and/or a fine of up to US\$2 million. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of cannabis as well as the money or other proceeds received in connection with such sale. The United States Department of Justice has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property but relied on state and local law enforcement to address marijuana activity. In the event the department of justice reverses stated policy and begins strict enforcement of the

**SureNano Science Ltd.**

Management's Discussion and Analysis  
Year Ended March 31, 2023

CSA in states that have laws legalizing medical marijuana and recreational marijuana in small amounts, there may be a direct and adverse impact to the Company and its revenue and profits.

**Share Capital**

The Company is authorized to issue an unlimited number of common shares at no par value. As at March 31, 2023 the Company had 21,457,800 common shares issued and outstanding (March 31, 2022 – 21,457,800).

In May 2021, the Company completed a private placement of 1,757,700 non-transferable special warrants at \$0.25 per special warrant for gross proceeds of \$439,425. Each special warrant entitled subscribers to acquire, without payment of any consideration in addition to that already paid, one common share of the Company. In connection with the private placement, the Company paid a finder's fee of \$27,350 and incurred other issuance costs of \$4,230. In December 2021, the Company converted 1,757,700 special warrants into 1,757,700 common shares of the Company

There were no common share issuances during the year ended March 31, 2023.

**Stock Options**

In June 2021, the Company adopted a stock option plan to provide effective incentives to directors, officers and employees of the Company and to enable the Company to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Company's shareholders. The option plan provides that the aggregate number of securities reserved for issuance, set aside and made available for issuance under the option plan may not exceed 10% of the number of common shares of the Company issued and outstanding from time to time. The option plan is administered by the board of directors and options granted under the plan have a maximum term of 10 years and vest at the discretion of the board of directors.

In June 2021, the Company granted stock options to directors and officers to acquire up to 2,000,000 common shares of the Company at \$0.25 per share. The options vest immediately and expire on June 16, 2024.

In January 2022, the Company granted stock options to a marketing firm to acquire up to 200,000 common shares of the Company at 0.30 per share. The options vest in four equal instalments over one year and expired on February 15, 2023.

During the year ended March 31, 2023, the Company cancelled 500,000 stock options.

As at March 31, 2023, 1,500,000 stock options (March 31, 2022 – 2,200,000) were outstanding and 1,500,000 stock options (March 31, 2022 – 2,000,000) were exercisable.

**Outstanding Share Information**

The Company has one class of authorized capital, being an unlimited number of common shares without par value. As at the date of this MD&A, the Company has the following issued and outstanding:

- 21,457,800 common shares.
- 1,500,000 stock options to purchase common shares.

**Additional Information**

Additional information relating to SureNano may be found on the Company's website at [www.surenano.com](http://www.surenano.com) and the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).