



SIXTH WAVE INNOVATIONS INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE PERIOD ENDED FEBRUARY 28, 2021**

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial results of Sixth Wave Innovations Inc. ("Sixth Wave" or the "Company") for the period ended February 28, 2021 and 2020. The information provided herein should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended August 31, 2020 which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in the MD&A constitute “forward- looking statements” and “forward looking information” within the meaning of applicable securities legislation. Forward-looking statements and forward looking information include statements concerning the Company’s current expectations, estimates, assumptions, and beliefs, and in certain cases, can be identified by the use of words such as “seeks”, “plans”, “is expected”, “budget”, “estimates”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might”, or “will”, “occur”, or “be achieved”, or the negative forms of any of these words and other similar expressions. The statements reflect the current beliefs of management of the Company, and are based on currently available information.

Examples of forward-looking information in the MD&A may pertain to the following, among others:

1. The Company’s plans and estimated timing related to the commercialization and generation of revenue from the Company’s Affinity cannabis extraction technology;
2. The Company’s progress towards the research and development of the Company’s AMIP’s technology for the detection of viruses including Covid-19 (or SARS-2 Coronavirus);
3. Plans, timing, and results of the testing of the Company’s IXOS® technology for various testing partners including but not limited to the Rio2 Limited (“Rio2”) Fenix Gold Project;
4. The timing and access to input test materials for the collaborative “green” testing initiative with Mining and Process Solutions in Australia (as discussed below);
5. The Company’s intention to grow the business, operations and potential activities of the Company, including entering into joint ventures and partnerships and leveraging the developing technologies and capabilities through potential joint ventures and partnerships;
6. The development and potential commercialization of new products;
7. Whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business and continue operations;
8. The applicable laws, regulations and any amendments thereof that are applicable to the Company’s business, particularly the portion of the Company’s business involving the cannabis sector;
9. The filing of trademark and patent applications and the successful registration and defense of same;
10. The Company’s ability to remain listed on the Canadian Securities Exchange and the impact of any actions it may be required to take to remain listed; and
11. The impact of the COVID-19 coronavirus pandemic on the operations of the Company

Forward-looking statements and forward looking information reflect the Company’s current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements and forward looking information, including without limitation:

1. the Company has limited operating history, no history of generating revenues and there is no assurance that the Company will be able to achieve or maintain profitability or solvency;
2. the Company’s history of losses and expectation of future losses and uncertainty as to the Company’s ability to continue as a going concern;
3. risks associated with the Company’s ability to secure additional funding to continue the research and development of each of its three products; IXOS®, Affinity™, and AMIPs;
4. uncertainty regarding the Company’s ability to obtain required external financings on acceptable terms;
5. inherent regulatory risks in the mining and cannabis industries;
6. the Company’s ability to attract and retain qualified personnel, including key personnel;
7. the Company’s ability to carry out operations in accordance with plans in the face of significant disruptions;

8. the Company's ability to commercialize its technologies;
9. fluctuations in foreign exchange or interest rates and stock market volatility;
10. uncertainty as to the Company's ability to maintain effective internal controls;
11. operational risks associated with limited travel and logistics as a result of the COVID-19 pandemic;
12. risks related to natural disasters, climate change, terrorism, civil unrest, public health concerns (including health epidemics or pandemics or outbreaks of communicable diseases such as COVID-19) and other geopolitical uncertainties;
13. the Company's ability to obtain all necessary permits and other approvals;
14. increased costs and restrictions on operations due to compliance with environmental legislation and potential lawsuits;
15. the Company's ability to scale each of the Company's technologies from bench through to pilot and commercial scale;
16. the Company's ability to maintain its patent protections for each of its technologies; and
17. the Company's ability to comply with applicable regulatory requirements, including any changes in laws, rules and regulations .

Although any forward-looking statements contained in this MD&A are based on what the Company believes are reasonable assumptions, these assumptions are subject to a number of risks beyond the Company's control, and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, financial risks; industry competition; general economic conditions and global events; product development, facility and technological risks; changes to government laws, regulations or policies, including tax; supply risks; product risks; dependence on senior management; sufficiency of insurance; and other risks and factors described from time to time in the documents filed by the Company with securities regulators. For more information on the risk factors that could cause the Company's actual results to differ from current expectations, see "Risk Factors". All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

DATE OF REPORT

The effective date of this report is April 9th, 2021.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

DESCRIPTION OF BUSINESS

About Sixth Wave

Sixth Wave Innovations Inc. (“**Sixth Wave**” or the “**Company**”) is a North American-based nanotechnology corporation specializing in molecular engineering, materials extraction, detection, and purification. The Company was incorporated under the *Business Corporations Act* (British Columbia) on June 6, 2007. The head office of the Company is located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6.

On January 31, 2020, pursuant to an agreement and plan of merger dated September 11, 2018 (as amended, the “Merger Agreement”) among the Company, a wholly-owned subsidiary of the Company (“Merger Subco”), 6th Wave Innovations Corp. (a Delaware corporation headquartered at 615 Arapeen Drive, Suite 303, Salt Lake City, UT 84108 (“6WIC”) and Affinity Nanotechnology Inc. (“Affinity Nano”) as the securityholders’ representative, Merger Subco merged with and into 6WIC by way of a “triangular merger” (the “Merger Transaction”) pursuant to the laws of Delaware, and the issued and outstanding shares of merged subsidiary were exchanged for securities of the Company and cash. As a result, 6WIC became a wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, the Company issued 14,291,056 Common Shares and US\$1.2 million in cash to the former holders of 6WIC securities, and issued 3,928,043 warrants to purchase common shares of the Company (“Common Shares”) in exchange for outstanding 6WIC warrants. Further details pertaining to the Merger Transaction are discussed below in the Merger Transaction section. Following completion of the Merger Transaction, the Company’s Common Shares were listed for trading on the Canadian Securities Exchange (“CSE”) and commenced trading on February 11, 2020 under the ticker symbol “SIXW”.

Sixth Wave is in the process of commercializing its Affinity cannabinoid purification technology as well as IXOS, a line of extraction polymers for the gold mining industry. The Company is also in the research and development stages of a rapid diagnostic test for viruses under the AMIPs label. The Company has patent applications and protections in 40+ countries.

Sixth Wave’s technology uses molecular imprinted polymers (“MIPs”), which consist of durable polymer beads imprinted with adsorption micropores which precisely match the molecular geometry of organic materials such as cannabinoids and inorganic materials such as metals. The Company’s area of expertise involves the design and manufacture MIPs capable of detecting and recovering valuable substances to the parts per billion level. The Company maintains a website at www.sixthwave.com.

Recent Developments

On September 15, 2020, the Company announced that it has executed a non-binding letter of intent for the trialing of the Company’s patented IXOS® purification polymer for Rio2 Limited (“Rio2”). Under the terms of the non-binding letter of intent Rio2 will send representative ore samples from its Fenix Gold Project to the Company for testing and analysis in the Company’s Salt Lake City facility. The Company is currently in the process of performing a combination of leaching and recovery tests using its IXOS® technology on these samples consistent with protocols for the expected heap leach mining activity planned for Rio2’s Fenix Gold Project. Upon completion of the testing and pending positive results the companies would work towards executing a definitive agreement to complete an on-site pilot adsorption/desorption/recovery (ADR) plant scaled to operate on a 400t pilot leach pad. If the pilot plant demonstrated successful results the companies would then work towards an implementation phase incorporating the Company’s IXOS® technology in the processing plant to be constructed at the Fenix Gold Project.

On September 17, 2020, the Company announced a collaborative “green” test initiative with Mining and Process Solutions (“MPS”) in Australia. The test work initiatives would occur in North America and Australia utilizing Sixth Wave’s IXOS® molecular imprinted polymer and the MPS GlyCat process. The GlyCat process was developed to reduce cyanide consumption while maintaining gold recovery for gold ores from deposits that contain nuisance copper.

The Company and MPS are also working in collaboration with the Centre Technologique des Residus Industriels and a major top-10 gold producer in Canada. This project aims to develop an environmentally friendly flow sheet for the gold mining industry. It will examine MPS’ acidic and alkaline leaching technologies together with the Company’s IXOS® technology. Testing is to be undertaken on ores provided by the Canadian mining partner.

On October 16, 2020, the Company announced that it has received an issue notification from the United States Patent and Trademark Office (“USPTO”) for patent application No. 15/747,858. The patent application was for the Company’s molecularly imprinted polymer beads for the extraction of metals and uses thereof. The aforementioned patent was issued on Oct. 27, 2020, as U.S. patent No. 10,814,306. With the issue of this patent the Company has broadened the Company’s already registered patent No. 9,504,988, which is also for the use of the Company’s molecularly imprinted polymer beads for the extractions of metals and uses thereof.

On October 27, 2020, the Company announced that it has received a \$250,000 contribution from the Nova Scotia COVID-19 Response Council for the development of the Company’s proposed AMIP’s technology. Under the terms of the agreement dated October 22, 2020 between the Nova Scotia COVID-19 Response Council and the Company, the Company will

continue to develop its AMIP technology specifically for the purpose of quickly and selectively binding to the SARS-Cov-2 virus. The proposed technology also contemplates the rapid delivery of a visual and/or electronic response upon the detection and verification of the SARS-Cov-2 virus. The Company's intention is to incorporate the AMIP's technology into several rapid-detection products, including rapid virus test kits, SmartMask™, as well as air and water monitoring systems.

This funding received is the first outside funding in the development of the Company's proposed AMIP's virus detection technology and builds on the Company's relationships in Nova Scotia. As the Company previously announced the Company has signed a memorandum of understanding with Neocon International Inc., a premier manufacturing company in Nova Scotia to commercialize the Company's proposed SmartMask™ product. Furthermore, the Company has executed a memorandum of understanding with Dalhousie University to explore near term opportunities to establish a research and development presence in Nova Scotia.

The Company's Phase 2 AMIP's project has a number of objectives, culminating in the development of a molecularly imprinted polymer formulation with measurable binding of inactivated SARS-CoV-2 in a buffer solution with limits of detection less than 15,000 virus particles per millilitre (comparable with several other commercially available diagnostic technologies) and a basic colorimetric response using protein-labelling chemistry. Clinically relevant viral loads have been determined to be approximately 15,000 virus particles per millilitre.

The Company's COVID-19 project represents the first step in the development of a flexible platform that can be adapted to detect a variety of viruses. The overall budget for this project totals \$770,000, of which \$250,000 will be funded through the contribution by the Nova Scotia COVID-19 Response Council.

On November 23, 2020 the Company announced that is signed an agreement with the researchers at the University of Alberta to assist with the development of the Company's AMIP's technology.

If researchers are successful, the AMIPs technology could be an affordable, reliable and easy-to-use method to rapidly detect the presence of SARS-CoV-2 and provide a platform for expanding the detection capability to other viruses. The Company will work with researchers at the University of Alberta's Li Ka Shing Institute of Virology, under founder Prof. Lorne Tyrell. The Company's scientists will work in the university's labs with Prof. Michael J. Serpe from the Department of Chemistry and Prof. Michael Joyce of the Department of Medical Microbiology.

On February 9, 2021, the research team has completed the first molecular imprint of the virus using the Company's AMIP patent-pending process and technology. The AMIP imprint is the first-generation polymer imprint prototype, amounting to a detailed topographical impression of the virus and associated chemical binding sites required to recapture the virus.

Once the AMIPs achieve the clinical efficacy targets, the definitive imprint will then form the basis of AMIP virus detection products. The AMIP is expected to be useful in the manufacture of an extensive array of rapid, durable and versatile virus detection tools, including hand-held devices, wearables and airborne detection tools.

With the achievement of this first imprint, the Company has demonstrated the three initial components required for AMIP sensor development: (i) virus template formation; (ii) reactive film processing; and (iii) imprinting. Notably, the initial imprint has been completed in slightly under two months of active laboratory time.

On March 9, 2021 the Company released preliminary results evidencing the binding and detection capabilities of its accelerated molecular imprinted polymer (AMIP) technology for the rapid detection of SARS-CoV-2, the virus that causes COVID-19.

Using this feedback and adjusting for parameters impacting the accuracy and speed of detection, successive iterations of the imprint will continue to be derived. The goal of this process is to generate a precise master imprint, capable of identifying the virus with exceptional accuracy. The successful proof of concept allows for testing of different parameters and features for product development and prototyping.

The first stage of the now-in-progress validation testing program comprises analyses to confirm that the imprint is capable of effectively binding to the target virus and being detected by a sensor system. To accomplish this, the Company used a variety of analytical tools typical of validating and quantifying binding and detection of viruses, including atomic force microscopy (AFM) and quartz crystal microbalance (QCM). The Company continues to benefit from its engagement with the University of Alberta (UofA) researchers and utilizing UofA's advanced laboratory and associated assessment tools.

The Company is pleased that initial detection has now been successfully achieved through AFM/QCM analysis, which has provided positive results indicating that the virus is attracted to the accelerated molecular imprinted polymer at detectable levels.

Now that initial imprint and binding analyses have been completed, the Company will pursue remaining validation testing in order to optimize the existing AMIP configuration, with a view to establishing the definitive imprint. Forthcoming test work, utilizing AFM/QCM and possibly other techniques, will include optimization of the imprint for sensitivity, selectivity, capture

rates and speed of detection. As part of the optimization process, the Company intends to perform additional testing to validate the ability of the AMIPs to capture and detect the mutations and variants of the virus.

On March 18, 2021, the Company announced that it has extended its research and development relationship with the University of Alberta and the Li Ka Shing Institute of Virology, pursuant to the development of the Company's AMIPs technology for the detection of the virus that causes COVID-19.

Based on the success of the collaboration thus far, the Company and University of Alberta have now executed a no-cost extension of the service agreement. The extension provides for a continuity of the Company's development work at the University of Alberta/LKS through April 30, 2022, unless otherwise extended by mutual consent. The extension has no impact on the ownership of associated intellectual property owned solely by the Company for AMIPs.

The extension of the services agreement will enable continued laboratory work and analytics to establish a definitive version of a polymerized molecular imprint of the virus via AMIPs technology. The extended research agreement will additionally include optimization work designed to further authenticate and enhance the AMIPs design, as discussed herein.

Initial validation testing is now considered complete and has successfully demonstrated the efficacy of the AMIPs prototype using a combination of quartz crystal microbalance and atomic force microscopy at the University of Alberta laboratory in Edmonton. Achieving this goal officially completes the proof of concept and the Company's primary obligations under the contribution agreement awarded to the Company by the Nova Scotia COVID-19 response council.

The forthcoming work at University of Alberta which is continuing and pursuant to the extension of the research agreement will focus on the optimization of the AMIPs prototype, within the following general categories of research:

1. Variant testing - Testing and validating the current AMIPs detection capability for the major known variants of the COVID-19 virus;
2. Sensitivity and selectivity testing - Initial validation was successfully demonstrated using a combination of QCM and AFM technologies, as discussed in prior announcements. The development team is now moving toward more sensitive measurement techniques including quartz crystal microbalance with dissipation monitoring (QCM-D) based on ring-down technique. QCM-D will allow more accurate measurement of detection limits and flexibility in evaluation of interferents that will be present in real-world samples. This effort will ensure that the definitive imprint will meet both detection limits and reliability at clinically acceptable levels;
3. Colorimetric testing - Testing early stage colorimetric chemistry, to provide the basis for non-electronic or fieldable electronic detection capabilities. Colorimetric detection is useful for several of the productization pathways that the Company intends to pursue including AMIPs based ELISA tests, lateral flow tests and the SmartMask. Once perfected, colour changes can be implemented such that positive detections can be seen visually and can also be manipulated to change bar codes or quick response codes allowing for machine reading of results and ultimately integration with contact/virus outbreak tracing. Such automation will allow anyone to read their test results individually or as part of entry to schools, work recreational activities etc. and maintain privacy while providing health experts with needed data on transmission and outbreak epicentres; and
4. Development of imprint stamp - A major advancement in the production of AMIPs will be development of the reusable imprint stamp. The stamp provides the capability for mass production of the AMIPs polymer without continued access and use of the target virus.

Ultimately, the Company proposes to create a comprehensive library of molecular imprints for other viral pathogens and variants (the AMIP library). This database of sensor templates could be readily tuned to recognize ever-changing viral mutations, minimizing the lag between the mutation event and the distribution of upgraded detection tools. The AMIP library will contain polymer formulations protected under patent provisions and will be capable of being licensed for all manner of rapid detection test (RDT) devices and wearables. The spectrum of prospective products is considerable and includes the Company's SmartMask offerings, smart clothing and PPE (personal protective equipment) applications, airborne sensors, Breathalyzers, ELISA-based (enzyme-linked immunosorbent assay) technologies, cartridge/lateral-flow designs, and others.

The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the Covid-19 (or SARS-2 Coronavirus) at this time.

On February 16, 2021, the Company provided an update regarding the development of its Affinity system for cannabis purification.

The Company is now in the final stages of preparing a beta version of its cannabinoid purification system. This initial five-column unit (5CU) will be subjected to a series of performance tests at Sixth Wave's research facility in Maryland. The laboratory-based testwork will document the standard operating procedures (SOPs) for the unit, and demonstrate the

operation of all operating cycles in a continuous circuit, including: i) load phase, (ii) wash, (iii) elution, (iv) cleaning and (v) reconditioning.

The Company is planning to deliver an upgraded 10-column version of the unit (10CU) to its first customer, Green Envy Extracts of Michigan. This higher capacity unit will be submitted to a series of parallel tests against well-known legacy purification technology. The 10CU configuration will be operated for a period of 60 to 90 days, to complete the head-to-head testing, and to optimize the system for use with the Green Envy cannabis extracts.

The Company will then round out its production-scale proof-of-concept work by upgrading the unit to a 20-column configuration (20CU) on site at the Green Envy facility. The 20CU will be a full-size iteration of the Affinity platform, with all of the material features and capabilities of the production Affinity unit.

The customer agreement with Green Envy requires that the full-scale configuration operate for a period of 60 to 90 days, producing high-purity, full-spectrum cannabinoid distillate for final approval. The agreement then calls for the installation of three industrial-grade and GMP-(good manufacturing practice)-qualified units at the customer's sites.

On November 26, 2020, the Company announced the appointment Dr. David Fransen to its board of directors. Dr. Fransen has served on the Company's advisory board since June of 2020. The Company further announces that Scot Robinson will be resigning from the board of directors for personal reasons.

On March 15, 2021, the Company announced the appointment of Sokhie Puar to its board of directors.

The Company is in the process of testing ore from a variety of mines and development projects to assess the suitability of IXOS® for particular projects. Upon successful testing of specific ores, the Company intends to move to larger, pilot scale testing with a suitable testing partner.

COVID has resulted in some delays in the development of the Company's IXOS® product due to challenges associated with travel to and from mine sites of potential partners. While this has delayed some testing, the Company continues to progress testing where possible and expects to find a suitable potential partner for pilot scale testing in the coming months. Travel restrictions have also had an impact on the development of the Company's Affinity platform for the separation of cannabinoids. The Company has had one worker fall ill with COVID and has occasionally delayed travel and testing due to site specific lockdowns and quarantines. The Company is currently continuing the development of the AMIPs product as outlined above.

Financing Activities

On September 1, 2020 the Company closed a tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of \$483,564. Pursuant to the closing of the financing, the Company issued 1,611,880 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 for a period of 24 months.

On September 21, 2020 the Company closed a further tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of \$1,150,100. Pursuant to the closing of the financing, the Company issued 3,833,667 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 for a period of 24 months. The Company paid finders' fees in the amount of \$44,037 and issued a total of 146,790 finders' warrants in connection with the closing of the financing. The finders' warrants give the holder the right to purchase one common share at an exercise price of \$0.30 per share for a period of 24 months after closing.

On November 18, 2020 the Company closed a further tranche of the previously announced non-brokered private placement in the amount of \$397,600 by way of issuing 1,325,334 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 per common share for a period of 24 months. The Company paid finders' fees in the amount of \$5,670 and issued a total of 18,900 finders' warrants in connection with the closing of the tranche of the non-brokered private placement. The finders' warrants give the holder the right to purchase one common share at an exercise price of \$0.30 per share for a period of 24 months after closing.

On December 30, 2020 the Company closed a non-brokered private placement of unsecured convertible debentures. Pursuant to the closing, the Company sold and issued 1,523 convertible debentures at a price and principal amount of \$1,000 per convertible debentures for gross proceeds totaling \$1,523,000. Interest on the convertible debentures can be paid in either cash or common shares of the Company, at the Company's election, at a rate of 7.5 per cent per annum if paid in cash or 10 per cent per annum if paid in common shares, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2021. If the Company elects to pay the accrued interest by issuing common shares, then such interest payment will be based upon the market value of the common shares at the time the

Company makes such election. The convertible debentures have a three-year term, with the principal amount being due to be repaid on December 31, 2023.

The Company has the right, at any time during the term, to repay in full the principal amount and any accrued and unpaid interest on the convertible debentures, provided that the Company gives 10 days' notice prior to doing so.

At any time during the term, a holder of convertible debentures may elect to convert the outstanding net principal amount, or any portion thereof, into units at a conversion price of 27.5 cents per unit. Each unit shall consist of one common share and one-half of a warrant, with each whole warrant entitling its holder to acquire a common share at an exercise price of 55 cents for a period ending on the maturity date.

During the third year of the term, the company shall have the option to extend the term by up to one additional year. If extended, then the Company shall pay a cash extension fee to the holders of convertible debentures in the amount of six months of interest.

Each initial holder of the convertible debentures received a one-time commitment fee comprising 150 commitment warrants per convertible debenture. Each commitment warrant entitles its holder to acquire one common share at an exercise price of 55 cents per common share for a period of 24 months.

Concurrent with the closing of the convertible debentures, the Company repaid \$600,000 (U.S.) out of a total of \$871,368 (U.S.) of debt owed to Affinity Nanotechnology Inc. The repaid debt carried monthly repayments of USD\$25,000, bore interest at 10 per cent and had a maturity date of July 31, 2021. The remaining amount of repaid debt, being \$271,368 (U.S.) or \$350,000, was refinanced and settled by the issuance of 350 convertible debentures with the terms outlined herein.

Since Affinity Nanotechnology holds greater than 10 per cent of the issued and outstanding common shares, the repayment of the repaid debt and the issuance of the convertible debentures to Affinity Nanotechnology is considered a related party transaction within the meaning of Multilateral Instrument 61-101 -- Protection of Minority Security Holders in Special Transactions. The transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of the transaction, nor the considered paid, exceed 25 per cent of the company's market capitalization. No new insiders and no control persons were created in connection with the closing of the transaction. The transaction was reviewed and unanimously approved by the company's board of directors. No special committee was created to review the transactions since Affinity Nanotechnology does not have a representative or appointed nominee on the company's board of directors.

On March 31, 2021, the Company closed a non-brokered private placement of units. Pursuant to the financing, the Company issued 20 million units at a price of \$0.30 per unit for gross proceeds of \$6,000,000.

Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.50 for a period of 24 months after closing.

In connection with the financing, the Company paid finder's fees in the aggregate amount of \$344,722 and issued a total of 1,099,350 finders' warrants to certain arm's-length finders. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.375 per common share for a period of 24 months after closing.

Pursuant to the financing, Sokhie Puar (a director of the Company) subscribed for 200,000 units for gross proceeds to the company of \$60,000, which is considered a related party transaction within the meaning of Multilateral Instrument 61-101, Protection of Minority Security Holders in Special Transactions. The financing is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of the financing, nor the consideration paid, exceeds 25 per cent of the company's market capitalization. No additional insiders or related parties of the company participated in the financing. No new insiders or control persons were created in connection with the closing of the financing. Sokhie Puar filed an insider report on SEDI related to this transaction.

Marketing and Investor Relations

From time to time, the Company retains external marketing and investor relations firms to assist the Company with communicating with securities dealers, investment advisers, portfolio managers and shareholders - both current and prospective - in order to increase awareness of and interest in the Company. In such circumstances, it is the Company's expectation and requirement that the marketing and investor relations firms will only provide investors with previously disclosed factual information concerning the Company, or with copies of materials that have been filed on SEDAR, or materials prepared by registered or registration-exempt investment research analysts and/or investment columnists, or broadly published in newspapers, magazines or journals. In such circumstances, the Company bears the costs of these services and management of the Company takes reasonable steps to ensure that such costs are reasonable and in proper proportion to the Company's financial resources at the time and are also in reasonable proportion to the level of expected capital market activity of the Company and related investor interest. Since such arrangements involve the providing of non-confidential information to investors and are limited to awareness of information that is already available to others in an efficient marketplace, the Company does not believe that such activities are improperly promotional or that they are expected to significantly affect the market price or value of any of the Company's securities.

MERGER TRANSACTION WITH 6WIC

Effective January 31, 2020, the Company acquired 100% of the issued and outstanding shares of 6WIC (the “Merger Transaction”). This business combination has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective January 31, 2020.

Pursuant to the Merger Agreement:

- 1) The Company paid \$1,626,550 and issued 14,291,056 common shares at a fair value of \$10,718,292. As part of the Merger Transaction with 6WIC, the Company replaced 749,849 warrants of 6WIC having exercise prices ranging from \$2.64 (USD \$2.00) to \$9.92 (USD \$7.50) and reduced the term of the replaced warrants to the lesser of the unexpired term or three years after closing date with 3,928,043 warrants with an exercise price of \$0.75 per share with expiry dates ranging from six months to three years after the closing date. The replacement warrants incremental value is \$704,067. The weighted average assumptions used for the Black-Scholes valuation of replacement warrants were annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2.37 years and a dividend rate of 0%.
- 2) The Company settled the loans payable to Affinity Nano as follows:
 - On closing of the Merger Transaction \$1,905,284 (\$1,444,639 USD) was converted into 2,719,202 common shares of the Company.
 - \$1,443,186 (\$1,087,555 USD) was repaid in cash.
 - The Company entered into a convertible debenture in the amount of \$1,322,359 (\$1,000,000 USD) (the “Convertible Loan”). The Convertible Loan will bear interest at 10% compounded monthly and payments of \$25,000 USD are to be paid at the end of each month.
 - The Company issued 1,777,778 warrants as consideration. The fair value of the warrants of \$620,858 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 1.5 years and a dividend rate of 0%.
- 3) The Company assumed the deferred salary loans of 6WIC and settled the outstanding balance as follows:
 - The deferred salary loans were assumed by the Company and upon closing of the Merger Transaction 25% of the outstanding balance was repaid or became payable to the respective parties. At January 31, 2020, the Company paid \$426,634 (\$322,270 USD). The remaining balances of the respective deferred salary loans will accrue interest at 0.667% per month and are to be repaid over 24 months at various payment amounts.
- 4) The Company paid a separation payment of \$199,034 (\$150,000 USD) and issued a convertible promissory note in the amount of \$330,590 (\$250,000 USD) to the CFO of 6WIC.

The consideration paid and the preliminary allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at January 31, 2020 are as follows:

Consideration	
Cash	\$ 3,695,404
Common shares	12,623,576
Replacement warrants	704,067
Convertible debentures	1,652,949
Warrants	620,858
Total consideration	\$ 19,296,854
Fair value of net assets acquired	
Cash	\$ 49,266
Receivables	109,095
Prepaid expense and other	86,097
Investment in associated company	211,578
Equipment	251,076
Right of use asset	345,125
Pilot plant	98,776
Intellectual property	2,098,105
Goodwill	20,896,856
Accounts payable and accrued liabilities	(718,881)
Lease obligation	(347,354)
Convertible debentures (bridge loan receivable - note 8 (a))	(1,436,843)
Deferred salary loans	(1,817,098)
Deferred revenue	(528,944)
Net assets acquired	\$ 19,296,854

During the year ended August 31, 2020, the Company incurred total transaction expenses in connection with the Merger Transaction totaling \$1,213,621. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss.

The acquired business contributed revenues of \$Nil and net loss of \$2,508,272 to the consolidated entity from the period from February 1, 2020 to August 31, 2020.

If the acquisition had occurred on September 1, 2019, consolidated pro-forma revenue and loss for the year ended August 31, 2020 would have been \$Nil and \$3,374,944 respectively.

Goodwill arising from the acquisition represents expected future income, growth, assembled workforce and other intangibles that do not qualify for separate recognition. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

As at August 31, 2020, an impairment indicator was determined to exist and the Company performed impairment testing that resulted in an impairment of goodwill. The impairment indicator included a significant decline in the market value of the Company' as reflected in the decline in its share price since the acquisition date on January 31, 2020. The carrying amount of goodwill was determined to be higher than its recoverable amount of approximately \$11,000,000 and an impairment charge of \$12,658,000 was recognized for the year ended August 31, 2020 (2019 - \$nil). The impairment charge was fully allocated to goodwill.

SELECTED ANNUAL INFORMATION

The following annual information is prepared in accordance with International Financial Reporting Standards. Amounts are reported in thousands of Canadian dollars, except for per share amounts.

	For the year ended August 31, 2020 \$	For the year ended August 31, 2019 \$	For the year ended August 31, 2018 \$
Net loss	20,973	7,172	821
Loss per share – basic and diluted	0.34	0.22	0.05
Total assets	12,982	5,181	2,052

RESULTS OF OPERATIONS

Operating Expenses:

During the sixth month period ended February 28, 2021, the Company incurred a loss of \$4,039,983 compared to a loss of \$3,979,030 for the period ended February 29, 2020. The majority of the increases in individual expense categories is the result of the operations of 6WIC being consolidated with the results of the Company further to the merger agreement referenced above. The significant changes during the period compared to comparable prior period are as follows:

- As a result of the assets acquired in the Merger Transaction the Company recorded amortization on its equipment, right of use assets, and intellectual property of \$321,326 (2020 – \$51,831).
- Advertising and promotion decreased from \$381,642 to \$231,972 as a result of a reduction in expenditures incurred to market the Company's products, as well as marketing programs to raise awareness of the Company's business in general.
- Consulting fees increased by \$708,830 to \$1,610,241 (2020 - \$901,411). The current period includes additional members of management and consultants as a result of the completion of the Merger Transaction and the advancement of the Company's Affinity and AMIP's technology platforms.
- Office and miscellaneous expenses increased by \$59,019 to \$69,839 (2020 - \$10,820) as a result of the increased office administration expenditures relating to the increased in business activity as a result of the Company's ongoing technology development.
- Professional fees increased by \$102,245 to \$296,874 (2020 - \$194,629). The Company incurred professional fees relating to the Company's intellectual property portfolio and legal expenditures relating to new product developments, and other business developments initiatives. This increase was the result of the timing of these expenditure and patent filings and can be expected to fluctuate somewhat on a quarterly basis.
- Research and development expenditures of \$590,087 are consistent with the comparable prior period of \$642,966. The Company continues to advance its research and development activities, with the majority of the expenditure being focused on its Affinity cannabinoid extraction technology and AMIP's virus detection technology.
- The Company recorded share-based compensation of \$661,986 attributable to the estimated value of stock options and deferred share units which have vested during the period. In the comparable prior period, the Company recorded \$392,491 resulting in a difference of \$269,495. The difference period over period is attributable to the size and timing of option grants in each period.
- In the prior period the Company incurred transaction costs of \$1,213,621 as a result of payment extension costs in relation to the 6WIC agreement announced September 11, 2018 and costs associated with the closing of the Merger Transaction. No such expenditures were incurred this period as the merger has closed.
- Travel and related expenses decreased by \$136,653 to \$14,582 (2020 - \$151,235) as the Company has reduced travel due to the COVID-19 pandemic. Any employees that are required to travel adhere to all safety measures recommended by their respective jurisdiction.
- During the period ended February 28, 2021, the Company recorded interest expense of \$270,281 (2020 – \$38,049) as a result of convertible debentures issued in 2020 and lease liability obligations assumed as a result of the merger.
- During the period ended February 28, 2021, the Company recorded other income of \$91,006 (2020 - \$128,900) as a result of interest revenue earned on the loan between the Company and Affinity Farms Inc. and short-term cash deposits.
- During the period ended February 28, 2021, the Company recorded a foreign exchange gain of \$7,643 compared to a foreign exchange loss of \$42,965 for the comparable prior period. As the Company operates in Canada and the United States and deals with both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the United States dollar relative to the Canadian dollar.

SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown below:

Three Months Ended	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020
Net loss	(1,992,537)	(2,046,992)	(14,340,407)	(2,568,562)
Loss per share – basic and diluted	(0.02)	(0.03)	(0.23)	(0.03)
Total assets	11,983,628	13,108,173	12,682,204	25,360,675
Total liabilities	5,600,854	5,966,191	6,207,471	5,383,978
Working capital (deficit)	(3,027,725)	(2,850,496)	(3,467,584)	(1,532,496)

Three Months Ended	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019
Net loss	(2,141,396)	(1,855,727)	(2,144,056)	(2,203,073)
Loss per share – basic and diluted	(0.04)	(0.05)	(0.06)	(0.06)
Total assets	24,286,343	5,508,393	5,180,929	3,111,007
Total liabilities	4,951,501	3,248,743	3,161,041	108,541
Working capital (deficit)	278,583	1,500,685	1,493,718	2,610,796

Expenses for the quarters ended February 28, 2021, November 30, 2020, and May 31, 2020 were consistent with comparable prior year quarters as the Company completed the Merger Transaction with 6WIC and all of 6WIC's activities are now incorporated into these results year over year. Net loss for the quarter ended August 31, 2020 was significantly higher than the net loss for the comparable period in the prior year as a result of the goodwill impairment of \$12,658,000. Other fluctuations occur in the Company's expenditures reflecting the variations in the timing of research, general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters. See also the Results of Operations section above for additional information.

LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2021, the Company had a cash balance of \$107,556 (August 31, 2020 - \$720,292) to settle current liabilities of \$3,490,284 (August 31, 2020 - \$4,328,299).

The Company currently does not generate any significant revenue from its operations and consequently is reliant on equity or other types of financing for its current short term and long-term working capital requirements and to fund its research and development programs, commercialize its technologies, and business development activities. On March 31, 2021 the Company closed a non-brokered private placement for gross proceeds of \$6,000,000. Management of the Company is also searching for strategies that it can implement that will reduce expenses. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating expenses and interest expense until revenue generating contracts are obtained to allow the Company to be self-sufficient. The Company's ability to continue its research and development activities is dependent on management's ability to secure additional financing in the future, which may be completed by way of traditional equity financings or in a number of alternative ways including, but not limited to, a combination of: a rights offering; new strategic partnerships; joint venture arrangements; project-level or subsidiary-level third-party financings; royalty or streaming financing; the sale of non-core assets; and other capital market alternatives. Management is pursuing additional financial sources, and while the Company's management has been successful in obtaining financing for the Company in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Net cash used in operating activities for the period ended February 28, 2021 was \$2,608,383 (2020 - \$2,143,574). The cash was primarily used for research and development, management and consulting, advertising and promotion, general and administrative expenses, net of non-cash expenditures.

During the period ended February 28, 2021, net cash gained in financing activities was \$2,002,138 (2020 - \$7,306,743). Financing related cash inflows consisted of proceeds from the issuance of shares of \$1,704,003 (2020 - \$7,231,713). Issuance of convertible debentures of \$1,113,000 (2020 - \$Nil) and proceeds from loan payable of \$155,198 (2020 - \$Nil). Financing related cash outflows consisted of repayment of deferred salary loans of \$81,994 (2020 - \$33,373), repayment of convertible promissory note of \$856,231 (2020 - \$120,250) and payments on the Company's lease liability of \$71,838 (2020 - \$12,117). In addition, the Company received \$40,000 (2020 - \$Nil) from the exercise of 100,000 (2020 - Nil) stock options.

During the period ended February 28, 2021, the Company purchased equipment at a cost of \$1,866 (2020 – \$39,993). Furthermore, the Company advanced \$4,625 (2020 - \$217,245) under the terms of a loan agreement between Affinity Farms Inc. (“AFI”) and the Company (bearing 10% interest compounded annually, due on May 31, 2022 and secured by the assets of AFI).

Non-Brokered Private Placement Financings:

On August 28, 2020 the Company closed the first the tranche of a non-brokered private placement and issued 614,994 units at \$0.30 per unit for gross proceeds of \$184,498. Each unit consists of one common share and one common share purchase warrant. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of \$0.50 for a period of 24 months. A residual value of \$9,224 was allocated to the warrants. In connection with the first tranche, the Company paid finders' fees and issuance costs of \$58,330 and issued 43,049 finder's purchase warrants. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of \$0.30 for a period of 24 months.

On September 1, 2020 the Company closed a tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of \$483,564. Pursuant to the closing of the financing, the Company issued 1,611,880 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 for a period of 24 months.

On September 21, 2020 the Company closed a further tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of \$1,150,100. Pursuant to the closing of the financing, the Company issued 3,833,667 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 for a period of 24 months. The Company paid finders' fees in the amount of \$44,037 and issued a total of 146,790 finders' warrants in connection with the closing of the financing. The finders' warrants give the holder the right to purchase one common share at an exercise price of \$0.30 per share for a period of 24 months after closing.

On November 18, 2020 the Company closed a further tranche of the previously announced non-brokered private placement in the amount of \$397,600 by way of issuing 1,325,334 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of \$0.50 per common share for a period of 24 months. The Company paid finders' fees in the amount of \$5,670 and issued a total of 18,900 finders' warrants in connection with the closing of the tranche of the non-brokered private placement. The finders' warrants give the holder the right to purchase one common share at an exercise price of \$0.30 per share for a period of 24 months after closing.

On March 31, 2021 the Company has closed its previously announced non-brokered private placement of units. Pursuant to the financing, the Company issued 20 million units at a price of 30 cents per unit for gross proceeds totalling \$6,000,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at an exercise price of 50 cents for a period of 24 months after closing. In connection with the financing, the Company paid finders' fees in the aggregate amount of \$344,722 and issued a total of 1,099,350 finders' warrants to certain arm's-length finders. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.375 per common share for a period of 24 months after closing.

Pursuant to the financing, a certain director of the Company subscribed for 200,000 units for gross proceeds to the Company of \$60,000, which is considered a related party transaction within the meaning of Multilateral Instrument 61-101, Protection of Minority Security Holders in Special Transactions. The financing is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of the financing, nor the consideration paid, exceeds 25 per cent of the Company's market capitalization. No additional insiders or related parties of the Company participated in the financing. No new insiders or control persons were created in connection with the closing of the financing.

The Company intends to use the net proceeds of the financing for the continued development of the Company's cannabis extraction technology, the Company's COVID-19 detection technology and general working capital.

Non-Brokered Private Placement of Unsecured Convertible Debentures:

On December 30, 2020, the Company announced that it closed a non-brokered private placement of unsecured convertible debentures, and has partially repaid a portion of previously existing debt.

Pursuant to the closing, the Company sold and issued 1,523 convertible debentures at a price and principal amount of \$1,000 per convertible debentures for gross proceeds totalling \$1,523,000. Interest on the convertible debentures can be paid in either cash or common shares of the Company, at the Company's election, at a rate of 7.5 per cent per annum if paid in cash or 10 per cent per annum if paid in common shares, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2021. If the Company elects to pay the accrued interest by issuing

common shares, then such interest payment will be based upon the market value of the common shares at the time the Company makes such election. The convertible debentures have a three-year term, with the principal amount being due to be repaid on December 31, 2023.

The Company has the right, at any time during the term, to repay in full the principal amount and any accrued and unpaid interest on the convertible debentures, provided that the Company gives 10 days notice prior to doing so. At any time during the term, a holder of convertible debentures may elect to convert the outstanding net principal amount, or any portion thereof, into units at a conversion price of 27.5 cents per unit. Each unit shall consist of one common share and one-half of a warrant, with each whole warrant entitling its holder to acquire a common share at an exercise price of 55 cents for a period ending on the maturity date.

The outstanding principal amount of each convertible debenture will automatically be converted into units at the conversion price \$0.275 if the common shares trade at a closing price of \$0.65 or more on the Canadian Securities Exchange for 10 consecutive trading days.

During the third year of the term, the Company shall have the option to extend the term by up to one additional year. If extended, then the Company shall pay a cash extension fee to the holders of convertible debentures in the amount of six months of interest.

Concurrent with the closing of the convertible debentures, the Company repaid \$600,000 (U.S.) out of a total of \$871,368 (U.S.) of debt owed to Affinity Nanotechnology Inc. The repaid debt carried monthly repayments of \$25,000 (U.S.), bore interest at 10 per cent and had a maturity date of July 31, 2021. The remaining amount of repaid debt, being \$271,368 (U.S.) or \$350,000, was refinanced and settled by the issuance of 350 convertible debentures with the terms outlined herein.

The issuance of the convertible debentures and the commitment warrants (defined herein) was (and, if applicable, the units and any underlying common shares and warrants shall be) completed on a private placement and prospectus-exempt basis, as applicable, such that the issuances are (or, in the case of the units and any underlying common shares and warrants, shall be) exempt from applicable prospectus and securities registration requirements.

Each initial holder of the convertible debentures received a one-time commitment fee comprising 150 commitment warrants per convertible debenture. Each commitment warrant entitles its holder to acquire one common share at an exercise price of 55 cents per common share for a period of 24 months.

Pursuant to National Instrument 45-102 -- Resale of Securities, the convertible debentures, the commitment warrants, and any underlying units, common shares or warrants to be issued upon conversion or exchange of these securities will be subject to a four-month hold period commencing on the closing date. Additional hold periods and/or trading or resale restrictions may also apply in the United States. In addition, the Company paid a total of 150,272 compensation warrants with respect to certain arm's-length investors equal to 7 percent of the units, which ultimately could be issued as a result of the transaction. The finder's warrants allow their holders to acquire one common share of the Company at a price of \$0.35 for a period of 36 months.

The Company intends to use the remaining proceeds of the convertible debenture financing for the deployment of the Company's Affinity cannabis purification units, as well as research into its AMIPs virus detection technology.

Since Affinity Nanotechnology holds greater than 10 per cent of the issued and outstanding common shares, the repayment of the repaid debt and the issuance of the convertible debentures to Affinity Nanotechnology is considered a related party transaction within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions. The transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of the transaction, nor the considered paid, exceed 25 per cent of the Company's market capitalization. No new insiders and no control persons were created in connection with the closing of the transaction. The transaction was reviewed and unanimously approved by the Company's board of directors. No special committee was created to review the transactions since Affinity Nanotechnology does not have a representative or appointed nominee on the Company's board of directors.

Employee Equity Participation Plan

On October 16, 2020 the Company implemented an employee equity participation plan. The plan, which is voluntary, permits employees to receive compensation in the form of common shares of the Company in lieu of a portion, or all, of the employee's cash compensation. The Company has issued a total of 2,016,240 common shares at a price of \$0.30 per share representing significant participation by management and key employees.

Convertible Debenture Interest Payment

On December 31, 2020, the Company paid interest on Convertible Bonds by the issuance of 75,479 shares as settlement in full of interest owing on that date, in accordance with the terms of the bonds.

COMMITMENTS

Office lease

In December of 2019, 6WIC entered into a lease for its office premises in Salt Lake City which expires in December 2022. As result of the Merger Transaction the Company has assumed this lease obligation.

Deferred salary loans

In accordance with the Merger Transaction, on January 31, 2020, the Company assumed deferred salary loans for certain current and former employees of 6WIC (note 17). Pursuant to the terms of Merger Transaction the balance owing at January 31, 2020 will accrue interest at a rate of 0.667% compounded monthly and be repaid over 24 months at various payment amounts.

Retention Bonus

In accordance with the employment agreements signed between the Company and the CEO and EVP, the Company has committed to pay each the CEO and EVP lump sum payments in the amount of \$75,000 each due 12 months and 24 months after the closing of the Merger Transaction.

Convertible debentures

During August and December 2020, the Company closed the sale of 2,265 unsecured convertible debenture units which each debenture unit consisting of \$1,000 of principal amount. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year.

As of February 28, 2021, these commitments required total payments including estimated common expenses, as follows:

	\$
Payable not later than one year	1,829,023
Payable later than one year and not later than five years	2,536,304
Payabale later than five years	-
	<u>4,365,328</u>

Acquiring Assets & Personnel of Aurora Analytics

On April 13, 2020, the Company executed a Letter of Intent ("LOI") for the acquisition of critical assets and intellectual property of Aurora Analytics, LLC of Baltimore, MD ("Aurora") and the migration of all Aurora's key staff. The Company will acquire specific assets of Aurora, including all laboratory equipment, all IP associated with the detection of virus and biogenic amines, and assume certain liabilities of Aurora, property leases for Aurora's laboratory and research centre. Consideration for the acquisition will be \$145,000 USD, of which \$25,000 USD has been paid to date, plus 500,000 common shares of the Company, together with the employment of key individuals currently employed by Aurora. As of the date of this report the Company has not closed the acquisition of the critical assets and intellectual property of Aurora.

Termination benefits

During the year the Company has entered into employment agreements with three key executive officers of the Company in which the Company will pay each officer base salaries ranging from US\$175,000 to US\$220,000 and \$300,000 per annum.

Should the Company terminate the employment agreements without cause a payment shall be made in a single lump sum to the executive ranging from six months to two times the amount of the executive's then annual total compensation package as of the date of the executive's termination. In addition, all unvested options that would have vested during the 12 months following termination will vest immediately on termination. The key executive officers will have a period of 30 days following termination in which to exercise those options.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2021, the Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers. A summary of transactions with key management and significant shareholders are summarized as follows:

	Period Ended February 28, 2021	Period Ended February 29, 2020
Management and consulting fees	\$ 498,149	\$ 370,331
Director's fees and consulting fees paid to directors	153,708	-
Share-based payments	405,655	18,071
Deferred salary loan payments	-	19,191
Total	\$ 1,057,513	\$ 407,593

- (a) During the period ended February 28, 2021, the Company incurred \$151,666 (2020 – \$160,970) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded \$142,783 in share-based compensation representing the fair value of options and DSU's that were granted to the CEO which have vested during the period. As at February 28, 2021, the balance owing under the deferred salary loan agreement to the CEO is \$555,058 (2020 – \$539,191). On closing of the Merger Transaction, as outlined in note 5, the CEO was entitled to a repayment of \$176,194 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at February 28, 2021. As at February 28, 2021, the Company owed the CEO \$175,000 (2020 – \$100,000) for an unpaid bonus and retention bonus which is recorded in accounts payable and accrued liabilities.
- (b) During the period ended February 28, 2021, the Company incurred \$79,600 (2020 - \$55,000) in director's fees and management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided. The Company recorded \$39,508 (2020 - \$871) in share-based compensation representing the fair value of options and DSU's that were granted to the CFO which have vested during the period.
- (c) During the period ended February 28, 2021, the Company paid \$Nil (2020 - \$25,000) in management and consulting expense to the former CFO and Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of \$15,000. Until January 31, 2020 the Company recorded \$5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director.
- (d) During the period ended February 28, 2021, the Company incurred \$152,464 (2020 - \$Nil) in management and consulting expense to the COO of the Company pursuant to COO services provided. Company recorded \$39,496 in share-based compensation representing the fair value of options that were granted to the COO which have vested during the period. As at February 28, 2021 the Company owed the COO \$43,098 (2020 – \$Nil) for unpaid payroll.
- (e) During the period ended February 28, 2021, the Company incurred \$114,419 (2020 – \$119,361) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount incurred included a one-time signing bonus of \$Nil (2020 - \$100,000). The Company recorded \$142,783 (2020 - \$1,742) in share-based compensation representing the fair value of options and DSU's that were granted to the EVP which have vested during the period. As at February 28, 2021, the balance owing in accordance with the deferred salary loan agreement is \$489,432 (2020 – \$512,604). As at February 28, 2021 the Company owed the EVP \$34,282 (2020 – \$Nil) for unpaid payroll which is included in accounts payable and accrued liabilities. In addition, as at February 28, 2021, the Company owed the EVP \$75,000 (2020 - \$Nil) for an unpaid retention bonus which is recorded in accounts payable and accrued liabilities.
- (f) During the six months ended February 29, 2020, the Company paid \$10,000, in management and consulting expense to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of \$7,500. Until January 31, 2020 the Company recorded \$2,077 in share-based compensation representing the fair value of options that were granted to the former Director which have vested during the period.
- (g) During the period ended February 28, 2021, the Company incurred \$153,708 (2020 – \$Nil) for director's fees and management and consulting expenses to the remaining directors of the Company. The Company recorded \$41,085 (2020 – \$5,807) in share-based compensation representing the fair value of options and DSU's granted to directors of the Company which have vested during the period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures requires significant judgment.

Business combinations

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Classification of associated company

Classification of investments requires judgment as to whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in Geolithic Corp. ("Geolithic") as an associated company and as at January 31, 2020 as the Company owned 40% of the outstanding common shares of Geolithic. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic. On March 6, 2020, the Company exercised its the first option under the option agreement and acquired an additional 15% of Geolithic Corp. The Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence and no control over Geolithic, based on rights to board representation and/or other provisions in the respective shareholders' agreement. The Company has not yet exercised subsequent options under the option agreement.

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management. The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated using the Black-Scholes pricing model.

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Valuation of investment in associated company

To value the investment in associated company, management obtains financial information from the majority owner and adjusts the carrying value of the investment. The investment is subject to all estimates included in the financial information from the majority owner as well as estimates of impairment losses.

Valuation of loan payable

The Company used the effective interest rate method to measure the loan payable and the difference between the fair value at inception and the loan proceeds received is recorded as deferred revenue. The Company was also required to estimate the market rate for a comparable instrument with a similar term. Changes in the interest rate used can materially affect the fair value estimate and accretion rate of the debt.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains an embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which required exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment. Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired. Impairment of tangible and intangible assets with limited lives are affected by judgements about impairment indicators and estimates used to measure impairment losses where necessary. The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

RESTATEMENT OF COMPARATIVE FIGURES

The Company has restated the statements of loss and comprehensive loss, statements of cash flows and statements of shareholders' equity to reflect year ended August 31, 2020 adjusting journal entries which are applicable to the three and six months ended February 29, 2020. All information with respect to adjusted comparative figures were restated to reflect the year end journal entries. There is no net impact on the statement of financial position, statement of loss and comprehensive loss, and statement of cash flows or loss per share in the audited financial statements for the year ended August 31, 2020 as a result of a restatement.

The restatement of the comparative figures is based on an adjustment to amend the fair value of the allocation of the consideration to fair value of assets acquired and liabilities assumed in the acquisition of 6WIC on January 31, 2020: goodwill increased by \$339,587, the Affinity Loan increased by \$821,598 resulting in the removal of the embedded derivative liability of \$578,561, the Feldman Loan increased to \$330,590, decrease deferred income tax liability of \$440,603 and reserves increase by \$121,965 in relation to the valuation of warrants associated to the replacement warrants and Affinity Loan on acquisition. As a result of the items noted above net loss for the period of decreased by \$84,598. This decreased accumulated deficit to \$24,655,653 from \$24,740,251.

OTHER MD&A REQUIREMENTS

Share Capital

Common shares

As at February 28, 2021 there were 90,498,221 issued and fully paid common shares outstanding. As at the date of this report, there were 110,498,221 issued and fully paid common shares outstanding.

Stock options

As at February 28, 2021 there were 5,925,000 stock options outstanding. As at the date of this report, there were 6,215,000 stock options outstanding.

Deferred share units

During the year ended August 31, 2020 the Company approved a deferred share unit (“DSU”) plan. On October 16, 2020 the Company granted 2,000,000 deferred share units in accordance with the Company’s DSU plan. A copy of the Company’s the DSU plan is included in the management information circular dated June 29, 2020.

Warrants

As at February 28, 2021, there were 14,246,534 warrants outstanding. As at the date of this report, there were 34,246,534 warrants outstanding.

Escrowed shares

As at February 28, 2021, 10,187,589 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings*. A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risks

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels, with cash and bridge loan receivable classified as Level 1:

Level 1 - quoted prices (unadjusted) 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); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 28, 2021 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities and convertible promissory notes approximate their fair values due to their short terms to maturity or market rates of interest.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations to the Company. In the Company’s present circumstances and during 2020 and 2021, credit risk to the Company arises principally from the Company’s related-party receivables and similar amounts owed. The Company didn’t have significant credit risk as at February 28, 2021. The Company holds its cash in accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to \$100,000 in Canada. Other financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high-quality financial institution.

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 has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company’s management actively plans and makes budgets to try and ensure that there are and will be sufficient funds to meet the Company’s short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. However, capital adequacy and maintaining sufficient working capital and financial liquidity is a significant risk to the Company and its ability to continue to operate as a going concern.

As at February 28, 2021, the Company had a cash balance of \$107,556 (August 31, 2020 - \$720,292) to settle accounts payable and accrued liabilities of \$1,530,625 (August 31, 2020 - \$1,650,173). The company has incurred losses and has experienced significant negative cashflows from operations on a cumulative basis since the Merger Transaction. For the six months ended February 28, 2021, the Company realized a net loss of \$4,039,983 (2020 - \$3,979,030). Negative cash inflows from operations were \$2,608,383 (2020 - \$2,143,574). As at February 28, 2021, the Company had an accumulated deficit of \$45,689,203 (August 31, 2020 - \$41,649,220) and a negative working capital position of \$3,027,725 (August 31, 2020 - \$3,467,584). The Company currently has insufficient cash to fund its operations for the next 12 months. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for its research and development programs and for existing commitments including its current portion of debt of \$1,686,040. As at February 28, 2021 these material uncertainties casted significant doubt about the Company's ability to continue as a going concern beyond the first half of 2021 without new external financing. On March 31, 2021 the Company closed a non-brokered private placement for gross proceeds of \$6,000,000. If the Company becomes insolvent and insolvency proceedings are initiated, then holders of the Company's Common Shares may lose their full value. In such circumstances, the Company's secured and unsecured creditors may only receive a partial repayment of the amounts owed to them.

Historically, the Company's sole source of funding has been the issuance of equity securities (or debt securities that are convertible into equity securities) for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to sufficient equity funding. Management dedicates significant time to pursuing investment alternatives that will fund the Company's operations and growth opportunities so it can continue as a going concern.

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.

- a) Interest risk - The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. At February 28, 2021, the Company didn't hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.
- b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at February 28, 2021, the Company had a foreign currency net monetary liability position of \$2,479,745 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately \$24,797.
- c) Price risk - Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company does not hold a portfolio of marketable securities. However, the Company is exposed to price risk with respect to the market prices of its own equity securities. Since the Company is reliant upon external financing and the issuance of equity securities (or debt securities that are convertible into equity securities), fluctuations in the market prices and the volatility of such prices are important to the Company's ability to seek and obtain new financing on terms that are acceptable to the Company. The Company closely monitors the prices of its Common Shares in the secondary market so as to determine and be ready, when required, for the appropriate course of action to be taken by the Company. However, demand for the Company's Common Shares in the secondary market (as traded on the CSE) does not necessarily result in demand for the Company's Common Shares in the primary market (from treasury), which is often due the resale rules associated with newly distributed Common Shares and the required hold period. Due to this reduced liquidity associated with the hold period for newly issued shares, it is common and expected that the Company will have to offer any such shares at a significant discount (being 15% to 25%) to the market price of the Company's free trading Common Shares on the CSE.

Other Risks

See Section 17 "Risk Factors" of the Company's Listing Statement dated February 6, 2020 as found under the Company's SEDAR profile (the "Listing Statement").

Going Concern and Need for Additional Funds

The Company currently does not generate significant revenue from its operations and consequently is reliant on equity or other types of financing for its current short term and long-term working capital requirements and to fund its research and development programs, commercialize its technologies, and business development activities. On March 31, 2021 the Company closed a non-brokered private placement for gross proceeds of \$6,000,000. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating expenses and interest expense until revenue generating contracts are obtained to allow the Company to be self-sufficient. The Company's ability to continue its research and development activities is dependent on management's ability to secure additional financing in the future, which may be completed by way of traditional equity financings or in a number of alternative ways including, but not limited to, a combination of: a rights offering; new strategic partnerships; joint venture arrangements; project-level or subsidiary-level third-party financings; royalty or streaming financing; the sale of non-core assets; and other capital market alternatives. Management is pursuing additional financial

sources, and while the Company's management has been successful in obtaining financing for the Company in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

COVID has resulted in some delays in the development of the Company's IXOS® product due to challenges associated with travel to and from mine sites of potential partners. While this has delayed some testing, the Company continues to progress testing where possible and expects to find a suitable potential partner for pilot scale testing in the coming months. Travel restrictions have also had an impact on the development of the Company's Affinity platform for the separation of cannabinoids. The Company has had one worker fall ill with COVID and has occasionally delayed travel and testing due to site specific lockdowns and quarantines. The Company is currently continuing the development of the AMIPs product as outlined above.

The continued spread of COVID-19 nationally and globally could also disrupt the Company's business and research activities, and result in a reduction in potential demand for the Company's products as a result of travel restrictions, work refusals by and mandatory accommodations for employees, changing demand by consumers, mass quarantines, confinements, lock-downs or government-imposed closures in Canada or abroad, which could adversely impact materially the Company's business, operations or financial results.

Since the latter part of February 2020, financial markets have experienced significant volatility in response to the COVID-19 pandemic and equity markets in particular experienced significant declines and then volatility. The continued spread of COVID-19 nationally and globally may impact the Company's ability raise sufficient capital in 2021.

Early Stage

The Company is an early-stage company with no revenues in the past two years. As such, the Company does not have a significant operating history, or financial information, upon which to evaluate the Company's ability to achieve its current business plan and future objectives. Investors should consider the risks and difficulties the Company might encounter, especially given its limited operating history.

The Company develops technology for use in both the mineral resource and cannabis industries, two rapidly transforming industries, and has filed patent applications for a planned extension of the Company's MIPs technology to develop a platform, referred to as Accelerated Detection MIPs, or AMIPs, for the rapid detection and separation of viruses, biogenic amines and other pathogens, with planned targets to include the SARSCoV-2 virus responsible for COVID-19. At present, the Company has not yet developed functional prototypes of the AMIPs and collection and delivery devices described in the patent applications for virus detection. There is no guarantee that the Company's technology or services will become or remain attractive to potential and current users as these industries undergo rapid change or that potential customers will utilize the Company's technology or services. In addition, most of the Company's management has no substantial previous experience in the cannabis industry. Accordingly, management may have limited insight into trends that might emerge and could materially affect the Company's business, operations or financial condition.

The Company also faces intense competition from other companies, some of which may have greater financial resources and more industry, engineering and marketing experience than the Company does.

Investment Risk

Any investment made in any of the Company's securities (debt or equity) should be considered as being highly speculative and of high risk. Any investor who acquires any of the Company's securities should ensure that these risky securities are suitable for the investor's portfolio objectives and risk tolerances. The Company recommends that any investor interested in acquiring or holding any securities of the Company seek and obtain the advice of a professional and registered independent investment advisor. Any investor who acquires and holds any of the Company's securities may lose all of the money that was invested to acquire those securities.

The Company does not plan on paying any dividends on its Common Shares in the foreseeable future.

The Company's Common Shares are listed for trading on the CSE; however, there can be no assurance that an active and liquid market for the common shares will be maintained, and an investor may find it difficult to resell such shares without causing price changes. There is no active or liquid market for the convertible debentures that the Company has issued to investors. An investor may find it difficult to resell such securities.

There is no assurance the Company will continue to meet the listing requirements of the CSE.

Technology and Intellectual Property Risks

The Company's technology is still at the testing and development stage and there is no guarantee that further testing and development will be successful for any of its currently proposed applications. The long-term success of the Company will be in part directly related to the success of the testing of its technology by its partners, clients and customers. Even if testing is successful, partners, clients and customers may be unwilling to change their processes to incorporate the Company's technology into those processes due to uncertainty, budget limitations or other factors beyond the control of the Company.

The Company expects to rely on a combination of patent, copyright and trade-secret laws, confidentiality procedures, and contractual provisions to establish, maintain, and protect its technology. The steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may not be enforceable. Despite the Company's efforts to protect its technology, unauthorized parties may copy or otherwise obtain and use the Company's proprietary technology or obtain information the Company regards as proprietary. Policing unauthorized use of its technology, if required, may be difficult, time consuming, and costly. The Company's means of protecting its technology may be inadequate.

Third parties may apply for and obtain patent protection for technology which is similar to the Company's technology. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of its technology or to obtain and to use information that the Company regards as proprietary. Third parties may also independently develop similar or superior technology without violating the Company's proprietary rights. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of Canada or the United States.

U.S. federal trademark and patent protection may not be available for cannabis-related aspects of the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Federal CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as U.S. federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company in relation to this industry. As a result, the Company's intellectual property may not be adequately or sufficiently protected against the use or misappropriation by third-parties in the cannabis industry. In addition, since the U.S. regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection for cannabis-related aspects of its intellectual property, whether on a U.S. federal, state or local level.

Although the Company believes that its technology does not infringe proprietary rights of others, litigation may be necessary to protect the Company's proprietary technology and third parties may assert infringement claims against Company with respect to their proprietary rights.

Any claims or litigation can be time consuming and expensive regardless of their merit. Infringement claims against the Company could cause the Company to redesign its technology or to enter into royalty or license agreements that may not be available on terms acceptable to the Company, or at all.

Risks Related to the Cannabis Industry

A portion of the business of the Company could be involved in the medical and adult-use cannabis industry in the United States, Canada and internationally through the development of technology related to the extraction of cannabinoids from cannabis products for use in the cannabis industry. The relatively new development of the medical and adult-use cannabis industry presents risks that are not inherent in other developing or mature industries, particularly due to its prior status as an illegal industry in Canada and current status in the United States as an illegal industry under United States federal law. Risks include uncertainty regarding the breadth of public acceptance and demand for cannabis products, absence of research regarding positive and negative effects of cannabis use, limited approved medical applications for cannabis products. Risks also include fragmented markets, rapid growth and potential failure of early-stage companies who would be the customers of the Company's Affinity™ product, due to inexperienced managers lacking conventional business and financial discipline or otherwise, an absence of industry and product standards, rapidly evolving legal landscapes with multiple frameworks and potential rapidly shifting public opinion. In the United States, access to capital and lenders may be limited or not available at all, and potential partners or customers of the Company's Affinity™ product in jurisdictions where cannabis remains illegal may be reluctant to transact with a company involved in the cannabis industry.

Cannabis Remains Illegal Under U.S. Federal Law

The Company is engaged in research regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products for use in the cannabis industry in certain states of the United States. The Company will not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology services, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids. Although certain states and territories of the U.S. authorize medical or adult-use cannabis cultivation, production, distribution and sale by licensed or registered entities, under U.S. federal law marijuana is a Schedule 1 controlled substance under the *Controlled Substances Act* (21 U.S.C. § 801 et. seq.) (the "Federal CSA") and is illegal under

federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Federal Regulation of Marijuana in the United States

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* (Canada) and the proposed regulation of recreational cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, at least 33 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use, and the others have laws in place which recognize medical benefits for at least some cannabinoids.

Notwithstanding the permissive regulatory environment of cannabis at the state level, State laws regulating cannabis are in direct conflict with the Federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law may apply.

Under the Federal CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the cannabis industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

However, on January 4, 2018, then Attorney General Jeff Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "Sessions Memorandum"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

United States federal law is not pre-empted by state law in these circumstances, so the federal government can prosecute criminal violations of federal cannabis laws despite the existence of state laws allowing such activity. The level of prosecutions of state-legal cannabis operations is entirely unknown; nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the DOJ, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority from the federal law enforcement guidance set forth in the U.S. Attorney's Manual (USAM). If the DOJ policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees,

directors, officers, managers and investors, and charges of ancillary criminal violations of the Federal CSA for aiding and abetting and conspiring to violate the Federal CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. It remains to be seen whether the incoming Biden administration will alter the approach to enforcement of federal cannabis laws.

Notably, current federal law (in the form of the Leahy Amendment) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the Leahy Amendment for medical cannabis operators will be void. Should the Leahy Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

Now that the Cole Memorandum has been repealed, an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to 6WIC and Affinity Farms Inc. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. cannabis-related activities remains appropriate in light of the rescission of the Cole Memorandum. On February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

There can be no assurance as to the position the new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded common shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

FDA Regulation of Cannabis and Industrial Hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the U.S. federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the *Food, Drug and Cosmetics Act of 1938* ("FDCA"). The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell in the U.S., and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the United States Drug Enforcement Agency ("DEA"); however, the FDA has enforced the FDCA with regard to dietary supplements and conventional foods containing CBD. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp. Any regulations imposed by the FDA may hinder the development and growth of the cannabis and industrial hemp industries, which may adversely affect demand for the Company's Affinity™ technology.

State-Imposed Restrictions Regarding the Production of Hemp and Sale of CBD

The Agriculture Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes "hemp" (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA definition of "marihuana", and allows for

federally-sanctioned hemp production under the purview of the USDA, in coordination with state departments of agriculture that elect to have primary regulatory authority. States and Tribal governments can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Accordingly, the production and sale of hemp and hemp products may be limited or restricted in some states. Hemp production in jurisdictions that do not choose to submit their own plans (and that do not otherwise prohibit hemp production) will be governed by USDA regulation.

The USDA has stated that it will not begin approving state regulatory plans until the federal regulations have been promulgated. The USDA expects the federal regulations to be in place in time for the 2020 growing season. The 2018 Farm Bill also precludes states from prohibiting the transportation or shipment of hemp and hemp products that are produced under USDA-approved 2018 Farm Bill hemp programs.

“Hemp” as defined in the 2018 Farm Bill, “means the plant *Cannabis sativa* L., and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not with a THC concentration of not more than 0.3% on a dry weight basis.” While the 2018 Farm Bill removes hemp and hemp-derived products from the controlled substances list under the Federal CSA, it does not legalize CBD in every circumstance. The 2018 Farm Bill does not require states to amend state-controlled substances laws and consequently, states are permitted to continue to classify hemp and/or CBD as a controlled substance under state law. In addition, CBD and other cannabinoids, if derived from marijuana as defined by the Federal CSA, remain a Schedule I substance under federal law.

To date, the vast majority of states have passed legislation related to industrial hemp, and at least 41 states allow hemp cultivation and production programs. However, state approaches to regulation vary and some states have limited programs or restrictions on certain activity. For example, some states prohibit the sale of CBD products outside of marijuana businesses, while other states prohibit the sale of hemp-derived CBD products altogether. Other states have laws that criminalize all parts of the cannabis plant (including “hemp,” as defined under the 2018 Farm Bill) or significantly limit activity related to the cannabis plant (including “hemp,” as defined under the 2018 Farm Bill). A number of state laws and regulations, including in major markets such as California, New York, and Ohio, currently contain restrictions limiting the types of hemp-derived products that may be sold and where such products may be sold. Accordingly, this patchwork of state laws may, for the foreseeable future, materially impact the development of the CBD market and demand for the Company’s cannabinoid separation technology, which may adversely affect the Company’s business and financial condition, and increase legal and compliance costs.

Continued Applicability of the 2014 Farm Bill Pending the Implementation of the 2018 Farm Bill

Section 7606 of the Agricultural Act of 2014 (the “2014 Farm Bill”) will remain in effect until one year after the USDA establishes regulations implementing the federal plans pursuant to the 2018 Farm Bill, at which point the 2014 Farm Bill will be repealed. The 2014 Farm Bill permits cultivation of hemp for research purposes (inclusive of market research) pursuant to state agricultural programs but leaves significant discretion to states as to how to implement such programs. In addition, the DEA, FDA and USDA have taken the position, as set forth in 2016 guidance (the “Statement of Principles”), that under the 2014 Farm Bill (i) industrial hemp products may be sold “[f]or purposes of marketing research...but not for the purpose of general commercial activity” and (ii) such products may only be sold within or among states with agricultural pilot programs that allow such activity, but not in states where such sales are prohibited. The Statement of Principles is not legally binding and is widely disputed as invalid by many, including members of Congress, on the grounds that it exceeds DEA’s authority and contravenes the intent of the 2014 Farm Bill. Moreover, to date, the Statement of Principles has only been minimally enforced. However, as recently as February 27, 2019, the USDA referenced the Statement of Principles as “additional guidance” that remains applicable to the 2014 Farm Bill.

Because hemp has been removed from the definition of “marijuana” within the Federal CSA, the DEA can no longer assert authority over hemp and hemp products. Additionally, given the passage of the 2018 Farm Bill (which permits the commercial sale of Hemp and Hemp products produced in accordance with the 2018 Farm Bill and precludes states from prohibiting any interstate transportation or shipment of the same), it is also possible that the FDA and USDA will not enforce their position outlined in the Statement of Principles.

Regulatory Compliance Requirements and FDA’s Position on CBD and Certain Other Hemp Products

The 2018 Farm Bill expressly preserves the FDA’s authority to regulate certain products containing cannabis or cannabis-derived compounds under the federal *Food, Drug, and Cosmetic Act* (“FDCA”). Certain provisions of the FDCA preclude a substance from being considered a food and prohibit a substance from being marketed as a dietary supplement or dietary ingredient if such substance has been approved by the FDA as a new drug, or if such substance has been authorized for investigation as a new drug (“IND”) for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public (the “Preclusion Rule”). Because CBD was the subject of public drug trials and is the active ingredient in an FDA-approved drug (Epidiolex), the FDA takes the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. Additionally, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of structure/function therapeutic benefit, or with any other disease claim, and therefore intended for use as a drug, to be approved by the FDA for its intended use before it may be introduced into interstate commerce.

GW Pharmaceuticals' ("GW") investigational new drug application for Sativex, a cannabis-derived oral spray, was authorized by the FDA in 2006, likely triggering the Preclusion Rule as applied to dietary supplements, and GW initiated clinical trials in late 2007, triggering the Preclusion Rule as applied to food. Although the IND application and clinical investigations for Sativex predate the initial IND authorization for Epidiolex, Sativex has not yet received final FDA approval. However, on June 25, 2018, the FDA announced its official approval of GW's application for its new drug, Epidiolex. Epidiolex is a CBD-based oral solution developed for use in the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. Although there are other FDA-approved drugs that contain synthetically produced THC, Epidiolex is the first FDA-approved drug that contains a purified drug substance derived from cannabis. Importantly, although substances that were marketed as a conventional food or dietary supplement before the new drug investigations were authorized or commenced are exempt from the Preclusion Rule, the FDA has concluded that, based on available evidence, this is not the case for CBD. Several states, including California, have followed the FDA's position. Further, many state food and drug laws mirror, or are substantially similar, to the FDCA, and the laws of many states include additional policies or regulations prohibiting the sale of certain hemp and/or CBD products intended for human or animal consumption.

The FDA's position (as well as those state policies mirroring the FDA's position) could materially impact the Company's business and financial condition, limit the accessibility of certain state markets, cause confusion amongst regulators, and increase legal and compliance costs.

In addition, on December 20, 2018, the same day the 2018 Farm Bill was signed into law, FDA Commissioner Scott Gottlieb, M.D., released a statement on the agency's regulation of products containing cannabis and cannabis-derived compounds. The press release states that, "Congress explicitly preserved the agency's current authority to regulate products containing cannabis or cannabis-derived compounds under the [FDCA] and section 351 of the Public Health Service Act. In doing so, Congress recognized the agency's important public health role with respect to all the products it regulates. This allows the FDA to continue enforcing the law to protect patients and the public while also providing potential regulatory pathways for products containing cannabis and cannabis-derived compounds." The agency also announced that it is exploring pathways to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in a food or dietary supplement, but reiterated the agency's long-held position that certain provisions of the FDCA preclude CBD and THC from being used in food products and from being marketed as dietary supplements. Importantly, the FDA has authority to issue a regulation allowing the use of a pharmaceutical ingredient, such as CBD, in a food or dietary supplement, even if such pharmaceutical ingredient was not previously marketed as a food or dietary ingredient prior to the initiation of clinical drug trials. On November 26, 2019, the FDA issued a consumer update with respect to CBD that reiterated that it is illegal to market CBD by adding it to a food or labeling it as a dietary supplement and that some CBD products are being marketed with unproven medical claims and are of unknown quality. The FDA cautioned that CBD has the potential to cause harm, including liver injury, negatively affecting the metabolism of other drugs and causing serious side effects, and that use of CBD with alcohol or other central nervous system depressants increases the risk of sedation and drowsiness, which can lead to injuries. In the consumer update, the FDA noted that it continues to believe the drug approval process represents the best way to ensure that safe and effective new medicines, including any drugs derived from cannabis, are available to patients, and that it is evaluating the regulatory frameworks that apply to non-drug uses of cannabis-derived products.

Failure to comply with the FDCA and applicable state law may result in, among other penalties, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Further, the Company's advertising is subject to regulation by both the Federal Trade Commission ("FTC") under the Federal Trade Commission Act and the FDA under the FDCA and its regulations, in addition to other potentially applicable law. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which could materially impact the Company's business. Additionally, some states also permit advertising and labeling laws to be enforced by their attorney general, who may seek relief for consumers, class action certifications, class-wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

U.S. State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

The Company is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation.

This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Access to Banking Services in the United States

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. Further, due to the rescission of the Cole Memo by Attorney General Sessions in January 2018, the guidance issued by FinCEN is now less certain and the Trump administration and/or agencies of the federal government could rescind or modify such guidance at any time.

In addition to the foregoing, banks in the U.S. generally refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business or portions thereof on a cash basis, or rely on obtaining banking services in Canada. The inability or limitation in the Company ability to open or maintain bank accounts in the U.S. or obtain other banking services, may make it difficult for the Company to operate and conduct its business.

Anti-Money Laundering Matters

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In its February 2014 memorandum, FinCEN stated that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Federal CSA. It is unclear at this time whether the incoming administration will follow the guidelines of the FinCEN Memorandum. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk would appear to be diminished because Hemp-related activities that are in compliance with the 2014 and/or 2018 Farm Bill are not in violation of the Federal CSA, there is no certainty that such is the case.

If any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on the Company Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risk of RICO Prosecution or Civil Liability

The *Racketeer Influenced Corrupt Organizations Act* ("RICO") criminalizes the use of any profits from certain defined "racketeering" activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that cannabis is illegal under U.S. federal law, the production and sale of cannabis qualifies cannabis-related businesses as "racketeering" as defined by RICO. As such, all officers, managers and owners in a cannabis related business could be subject to criminal prosecution under RICO, which carries substantial criminal penalties.

RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such "racketeers," and can claim triple their amount of estimated damages in attendant court proceedings. The Company as well as its officers, managers and owners could all be subject to civil claims under RICO.

Risk of Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never

charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Company

Risks Related to the Ability to Trade Securities in Canada:

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("CSA ") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers possible cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there would be no CDS ban on the clearing of securities of issuers with possible cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Issuer Shares to make and settle trades. In particular, the Issuer Shares would become highly illiquid within the US as until an alternative was implemented, investors would have no ability to affect a trade of the issuer Shares through the facilities of a stock exchange.

Shareholders and potential investors are cautioned that:

- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the US; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Risks Associated from Additional Scrutiny by Canadian Regulators

For the reasons set forth above, the Company's business in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability operate in the United States.

Increased scrutiny by the Canadian regulators is likely to increase the cost of compliance and may adversely affect the profitability of the business of the Company.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Canadian Securities Administrators Staff Notice 51-352 (Revised)

The Company is engaged in research in certain states of the United States regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products, including marijuana and hemp, for use in the cannabis industry. The Company is not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids, and the Company may be considered to have indirect involvement in the cultivation of hemp through its funding relationship with Affinity Farms Inc., an Arkansas company engaged in development of an extraction process designed to extract THC and/or CBD crude oil from raw hemp and concentrates for the further downstream processing and isolation of pure THC and CBD compounds, if Affinity Farms is successful in establishing a hemp cultivation business.

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities (“Staff Notice 51-352”), the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis or marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company’s business activities or operations will be promptly disclosed by the Company. Below is a table of concordance that addresses the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
<p>All Issuers with U.S. Marijuana-Related Activities</p>	<p>Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.</p>	<p><i>See DESCRIPTION OF BUSINESS AND OVERVIEW above and Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties</i></p> <p><i>See Listing Statement Section 4 – Narrative Description of the Business</i></p>
	<p>Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.</p>	<p><i>See “Other Risks - Cannabis Remains Illegal Under U.S. Federal Law” Above</i></p>
	<p>Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.</p>	<p><i>See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally</i></p> <p><i>See above – Cannabis remains illegal under U.S. federal law</i></p> <p><i>See above – Federal regulation of marijuana in the United States</i></p>
	<p>Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.</p>	<p><i>See above – Access to Banking Services in the United States</i></p> <p><i>See above – U.S. state regulatory uncertainty</i></p> <p><i>See above – Anti-Money Laundering Matters</i></p> <p><i>See above – Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Company</i></p> <p><i>See above – Risk of civil asset forfeiture</i></p>

	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	<p><i>See Liquidity and Capital Resources above.</i></p> <p><i>See Listing Statement Section 4.2 – Narrative Description of the Business – Ability to Access Public and Private Capital</i></p> <p><i>See above – Access to Banking Services in the United States</i></p>
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	The Company estimates that 6.46% of its balance sheet as of August 31, 2020 relates to its marijuana related business. The Company has no marijuana related revenue.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	The Company has received legal advice from U.S. attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company and its U.S. counsel continue to monitor compliance very carefully.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	N/A
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	<p><i>See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties</i></p> <p><i>See above – U.S. state regulatory uncertainty</i></p>
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	<i>See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – “The Company's Regulatory Compliance Activities”</i>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<i>See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – “The Company's Regulatory Compliance Activities”</i>

OTHER INFORMATION

Additional information relating to the Company can be found on the Company's website at www.sixthwave.com or on SEDAR at www.sedar.com