



SIXTH WAVE INNOVATIONS INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE PERIOD ENDED FEBRUARY 28, 2022**

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, 2022 and 2021. The information provided herein should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended August 31, 2021 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 29, 2022.

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 registered office and the Company’s head office is located at Suite 110 – 206 Waterfront Dr., Bedford, NS B4A 0H3.

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. 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

IXOS[®]

The Company and MPS are also working in collaboration with the Centre Technologique des Residus Industriels (“CTRI”) 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 with Mining and Process Solutions’ acidic and alkaline leaching technologies together with the Company’s IXOS[®] technology. Testing was undertaken on ores provided by the Canadian mining partner.

On September 8, 2021, the Company announced it has confirmed results that demonstrate the extraction of gold at high capacity with lower reagent costs. These results were achieved during the successful completion of phase 1 of the green alternatives for gold leaching and recovery initiative undertaken with CTRI and MPS. The company has worked closely with MPS and CTRI to test the efficacy of the Company’s IXOS[®] molecularly imprinted polymer for gold extraction in conjunction with the MPS GlyCat process. IXOS[®] has proved superior to traditional activated carbon technology by demonstrating a higher selectivity for gold relative to other gangue materials, resulting in a higher gold capture than activated carbon. Phase 1 tests used IXOS[®] with the GlyCat technology to determine Glycat’s characteristics and capabilities while confirming IXOS[®] can adsorb gold from solution with typically an order of magnitude lower cyanide usage. Additionally, the use of IXOS[®] beads for adsorption during the stirred-batch-reactor testing showed increased adsorption performance in combination with the glycine-catalyzed leaching process, achieving recoveries that were on par or slightly higher than recoveries using a more traditional cyanide-leach process.

With the successful completion of phase 1, phase 2 testing will focus on meeting Canadian ecotoxicity guidelines. Upon successful completion of phase 2, phase 3 testing will involve the design of a process circuit that validates the performance of IXOS[®] and GlyCat in a full-scale pilot plant at an operating gold mine in Canada. MPS has conducted environmental impact studies for the deployment of the GlyCat process in Australia. The overall project goal is to develop an environmentally friendly flow sheet for the gold mining industry.

On October 27, 2021, the Company provided an update on the Company’s growing patent portfolio. The company has signed a letter of intent and assignment agreement with Dr. Sara Magdoui, PhD, and Dr. Ali Entezari-Zarandi, PhD. The parties will collaborate on the development of green lixiviants as an alternative to conventional chemical reagents for recovery of gold, lithium, rare earth elements and other metals. The patent will be solely in the name of the Company and the Company will have exclusive ownership of the intellectual property, subject to a reasonably agreed-upon licence fee to the co-inventors.

On January 11, 2022, the Company announced that the second phase test work of patented IXOS® purification polymer will begin at Rio2's Fenix Gold Project in Chile in mid-January 2022. The testing was completed by March 2022. The second phase test work at the mine site follows on from the successful completion of ore tests at Sixth Wave's Salt Lake City Utah facility in August 2021. Sixth Wave will perform adsorption tests using IXOS® beads with solution from installed heap leach columns to evaluate adsorption kinetics and other parameters. Testing will include operation of the system under a variety of testing scenarios to validate IXOS® performance and refine the cost/benefit analysis. Potential positive environmental, social and governance (ESG) impacts and a reduced carbon footprint (CO2 emissions) using IXOS® instead of activated carbon for the process plant will also be explored during this phase of the project. The IXOS® process operates at a significantly reduced power consumption and with fewer reagents than activated carbon creating opportunities for enhancement of Rio2's ESG initiatives at its Fenix Gold Mine.

On March 1, 2022, the Company reported that mine effluent submitted for ecotoxicity testing to independent H2Labs (<https://h2lab.ca/en/>) is confirmed as "nontoxic" for fish and daphnia as defined by Canadian environmental standards. Completion of the ecotoxicity test completes Phase 2 of the Green Lixiviant for Gold Mining research program. The effluent was submitted by the Centre Technologique des Résidus Industriels ("CTRI"). The research program was undertaken with the CTRI, Australian company Mining and Process Solutions ("MPS"), and a major Canadian gold mining company. The Company has worked collaboratively with MPS and CTRI to test the efficacy of the Company's IXOS® molecularly imprinted polymer for gold extraction in conjunction with MPS' GlyCat™ process. Green Alternatives for Gold Recovery Project (Phase 1 and 2) Noteworthy Results Reported by the CTRI Program Manager:

- IXOS® Molecularly Imprinted Polymer Beads with GlyCat™.
 - The only "green alternative" for gold recovery to cyanidation in view of the ore, methods, and conditions researched by CTRI
 - Recover gold with 90% less cyanide usage than conventional cyanidation
 - IXOS® recovery averaged 95% of "recoverable" gold
 - No breakage of IXOS® beads was identified with visual inspection
 - Stripping of beads resulted in 100% metal removal and analyses at CTRI, The Company and MPS Laboratories were equivalent - Strip was completed in under 2 hrs, at 60° C and with no pressure confirming substantially reduced energy requirements for IXOS®
 - Gold mass balance confirmed all performance results based on ore head grade, leach efficiency, and gold recovery by IXOS®
- Cyanide destruction using ozone effectively removes all reagents from the leachate and other methods are under consideration
- "Non-Toxic" ecotoxicity test recorded no daphnia or rainbow trout deaths
- GlyCat™ primary lixiviant is recyclable and a less oxidizing destruction method
- Residual glycine is confirmed as non-toxic indicating any traces of glycine is non-toxic
- IXOS®-In-Leach(IIL) Technology continues to show profound successes

IXOS® has proven effective in the extraction of gold from cyanide leach solutions and the completion of Phase 1-2 of the Green Initiative has demonstrated the ability of IXOS® to extract gold from the pregnant leach solution generated by MPS' GlyCat™ technology. IXOS® is superior to traditional activated carbon technology and demonstrates a higher selectivity for gold relative to other gangue materials, resulting in a higher gold capture than activated carbon.

On March 10, 2022, the Company detailed certain attributes and benefits of IXOS® for modern gold mining operations. The Company's IXOS® gold adsorption and recovery technology based on molecularly imprinted polymers is generating significant interest from gold mining companies looking to reduce costs while increasing profitability and positively impacting their ESG posture and rating by moving from legacy activated carbon that is also susceptible to supply chain interruption. Perhaps equally compelling is the deleterious effect that geopolitical conflict is having on energy prices and the severe impact on mining costs. The Company's premier product is IXOS®, a line of extraction polymers formulated for deployment in the gold mining industry for the extraction of gold from cyanide leach solutions. IXOS® is proven to be more selective, efficient, have higher capacity, and offer environmental benefits compared to current processing methods. The Company has completed extensive laboratory and field testing in North and South America with some of the world's largest gold mining companies, with confirmatory testing completed at the respective mines, independent laboratories, and two major chemical corporations.

Operational:

- Higher gold capture
- Lower to no attrition or lost Au from attrition
- Better kinetics
- High capacity and purity result in a smaller plant
- Less complicated circuit with fewer parts

Environmental:

- Simple low-temperature elution
- No thermal regeneration
- Lower water usage
- Recyclable elution chemicals

- Lower CO2 emissions
- No toxic airborne emissions

As gold continues its traditional role of providing a store of value in uncertain times, clean efficient processing technologies such as IXOS® have an important role to play in the continuing improvement of profitable and environmentally responsible gold mining operations.

On March 15, 2022, the Company announced that contracted test work using IXOS® purification polymer ("IXOS®") successfully resulted in superb gold adsorption efficiency and recovery of >98.6% in direct comparison to 83% adsorption efficiency and recovery with activated carbon (AC). Test results were confirmed by independent laboratory analysis. The Company and client mine personnel performed adsorption tests using solution from heap leach columns installed at the site's metallurgical testing facilities. Continuous solution flow testing validated IXOS® performance previously achieved in The Company's laboratory in Salt Lake City, Utah using the ore provided by the client. The results provide the client with positive and relevant data regarding the cost/benefit of IXOS® compared to activated carbon. IXOS® is a replacement for activated carbon used in the gold mining industry. Multiple laboratory and field tests with major mining companies demonstrate the benefits of IXOS® compared to activated carbon.

On-site testing comparison: Increased Revenue Potential with Reduced Cost

- Higher efficiency gold absorbance and recovery increase daily gold production
- High strength IXOS beads eliminate lost gold experienced from carbon fines
- IXOS strip time: ~2 hours at ~100% efficiency vs AC strip and regenerate time >16 hrs while leaving upwards of 3oz/gold per ton of AC.
 - Accelerated strip cycles increase daily gold production
 - Multiple strip cycles per day allow significantly reduced plant size CAPEX and OPEX
 - Reduced costs for energy, fuel, and reagents - Eluent is fully reusable and operates in a closed-loop system reducing waste and water.
 - IXOS does NOT require thermal regeneration reducing cycle time for the adsorbent and eliminating power requirements.
 - Additional 'Carbon credits' for reducing carbon emissions

Capex and Opex savings coupled with reduced CO2 emissions (carbon credits) and the potential for water stress mitigation offer compelling reasons for adoption that may enhance a mine's ESG posture and rating.

On March 29, 2022, the Company announced that the United States Patent and Trademark Office has granted the Company a patent for its unique method of metal extraction and purification using molecularly imprinted polymers. ("MIPS"). This patent extends the Company's existing patent portfolio to include methodologies relating to the molecularly imprinted polymers, which selectively bind to target metals ions, achieving more efficient metal extraction. The technique has been successfully commercialized by the Company for precious metals. This patent focuses on highly valuable metals associated with the growing demand for green energy alternatives, advanced manufacturing, and environmental remediation. With this patent issuance, The Company has advanced its intellectual property ("IP") portfolio to over 9 issued patents, and 39 pending patents for molecular detection and extraction using MIPS and other molecular separation techniques. The Company believes there are significant opportunities to monetize the Company's metals purification MIPS being sold under the IXOS® brand name. This technology enables the delivery of efficient, scalable, environmentally friendly, and lower-cost solutions to our mining customers.

On March 31, 2022, the Company announced that it has been engaged by Champlain Mineral Ventures Ltd. ("CMVL") to begin extraction testing and development of a preliminary flow sheet for extraction of lithium from the high-grade, pegmatite hosted, spodumene at the deposit. The deposit contains not only lithium but other rare or critical minerals such as tantalum, rubidium, tin, beryl, and high purity silica. Good potential for additional spodumene deposits exists nearby on the exploration licenses owned by CMVL. The Company has received initial funding to identify optimal insertion points for its technologies and is preparing an expanded test plan to accelerate the process. The Company and CMVL are committed to sustainable mining and high environmental, social, and governance standards. Initial work will compare and contrast conventional extraction and purification methods with those offered by the Company's alternate "green lixivants" and patented purification technology. Green lixivants garner attention due to their unique properties that are inherently non-toxic, biodegradable with negligible or no vapor. The Company expects this lixiviant to eliminate costly high energy processes including roasting and acid bakes. Subsequent purification of the leached lithium will be assessed using the Company's IXOS® molecular technology to produce high purity lithium for conversion to either lithium hydroxide or lithium carbonate using conventional means.

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-19 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.

AMIP's

The Company is currently developing its AMIP's for the rapid detection of SARS-CoV-2 ("COVID-19").

On September 22, 2021, the Company announced the additional grant financing through its joint research project with York University. The grant will provide continuity by financing the retention of current PhD staff interns prior to submitting another NSERC proposal scheduled which was submitted prior to the end of 2021. The financing for the positions is not repayable. Over the past year, York University and the Company have used an NSERC-Mitacs COVID-19 grant to develop molecularly imprinted polymer formulations that are appropriate and selective towards micro-organisms. The research partners developed effective methods for coating microparticles and microelectrodes with the Company's polymer technology, and recently worked on integrating the microstructures into microfluidic sensors. The proposed research in this application aims to finalize the design of microfluidic sensors based on the above technologies.

On October 12, 2021, the Company provided an update on the patent of newly developed molecularly imprinted polymer's (MIP's) intellectual property resulting from its collaboration with York University. The Company filed U.S. patent application No. 63/249,369 with the U.S. Patent and Trademark Office (USPTO) on September 28, 2021. The patent application, titled "Molecularly Imprinted Polymer Coatings and Sensors for Bio detection," covers the intellectual property generated in collaboration with York University and focuses on the synthesis and processing of MIP's containing detection elements for viruses and bacteria. The patent will be solely in the name of the Company, which will have exclusive ownership of the intellectual property, subject to a reasonably agreed-upon licence fee.

On November 10, 2021, the Company announced that it has successfully demonstrated the ability to identify the capture of pathogens electrically with one of its AMIP's prototypes. The prototype device created at York University integrates the Company's AMIPs technology into an electrical sensor by coating the electrical sensor with AMIP's polymer. When the AMIP's selectively binds with the target pathogen, a corresponding electrical signal is detected by the device. This allows for the integration of AMIP's with radio frequency identification chips for transmission of pathogen detection to smart phones or other wireless device readers, allowing for air monitoring and other novel applications.

On November 16, 2021, the Company provided an update on the development of its AMIP's technology and continuing collaboration with York University. The Company has successfully integrated its AMIP's technology into a multicomponent microfluidic device with fluorescent detection. The prototype device, created by Dr. Pouya Rezai's and Dr. Satinder Brar's groups at York University, coats a thin layer of the AMIP's polymer onto fluorescent magnetic microparticles. As the ultra-thin AMIP's polymer shell binds the target pathogen, a change in the fluorescent signal is detected by the device. The integration of the detectors with microfluidics devices and "lab-on-a-chip" designs allow screening for multiple pathogens with a single test or device. Further research and development will characterize the device's technical parameters including sensitivity and specificity.

On December 1, 2021, the Company provided an update on its AMIP's technology relative to COVID-19 Omicron variant. As discussed above the Company's AMIP's technology has been proven to be capable of detecting all of the variants of interest tested to date. Screening against the Omicron variant will commence as soon as virus samples are available at U of A, the Company's testing partner.

On December 2, 2021, the Company announced the commencement of live virus testing in saliva samples using the Company's AMIP's technology relative to COVID-19. The Company along with researchers at the U of A are currently testing with AMIP's using saliva samples spiked with the live COVID-19 virus by using a protocol similar to an ELISA clinical test.

On December 13, 2021, the Company announced that it is working to commercialize its technology, advancing the prospect of widely available Covid tests that can rapidly, accurately, and inexpensively detect the presence of the virus and its mutations.

On December 14, 2021, the Company announced that it has successfully demonstrated selective binding and detection of live SARS-CoV-2 virus in saliva samples AMIPs.

On January 25, 2022, the Company announced that its AMIPs technology has successfully detected the SARS-CoV-2 virus in saliva samples, at sensitivity levels comparable to commercially available antigen tests. Low-cost, highly accurate, and simple to use testing will be extremely valuable to the global health community while high-density population areas remain susceptible to seasonal COVID-19 outbreaks and the predictable emergence of new variants. Working with researchers at the world-renowned Li Ka Shing Institute of Virology at the University of Alberta, saliva samples spiked with live SARS-CoV-2 virus in a protocol similar to established ELISA clinical tests were performed. The battery of tests produced results down to published detection levels for antigen tests. Verified by Dr. Michael Joyce at the Institute, testing conclusively showed the virus binding directly to AMIPs™. The ability to detect the virus in saliva samples is a critical diagnostic tool in the battle against the pandemic. The AMIPs™ technology provides a potential opportunity for less invasive, less expensive testing, without the limiting storage and handling requirements of an antigen test. Moreover, the Company has successfully completed initial testing of integration of the first microarray architecture into an AMIPs™ prototype. This advancement in

the production of the polymer achieves another goal toward increased sensitivity and selectivity against other respiratory pathogens. Testing and optimization for production is ongoing. Initial viral selectivity screening experiments have provided initial indications of AMIPs™ ability to screen between COVID-19 and other non-enveloped viruses.

On March 14, 2022, the Company has announced a partnership with TraceSafe Inc., ("TraceSafe") a global leader in location-aware Internet of Things (IoT) platforms for large-scale industrial and enterprise operations. The technology uses Molecularly Imprinted Polymers (MIPs) for imprinting, capturing, and detecting substances at the molecular level providing an effective and proactive prevention and containment strategy for deadly viruses and pathogens in animals. The two companies are working on a first-of-its-kind solution that constantly monitors for pathogens and provides real-time updates across the entire food supply chain. The World Organization for Animal Health (OIE) estimates that animal diseases, like Avian Flu or Coronaviruses, cause the loss of at least 20% of livestock production globally, with an estimated value of USD \$300 billion per year. As African Swine Fever (ASF) travels across the world, farmers might experience a high level of mortality potentially leading to USD \$50 Billion in losses in the US alone. Since most current animal health practices focus on reactive and time-consuming lab testing, the herd is left in danger of infection for days before the virus or pathogen is detected. With the Company's nanotechnology and TraceSafe's award-winning platform, livestock producers, farmers, and ranchers will be able to proactively and quickly diagnose pathogenic threats in the food supply chain saving billions in costs and health risks. TraceSafe and the Company will undertake combined research and development initiatives to create a non-intrusive sensor-based product that uses MIPs for virus and pathogen detection and surveillance on farms and other agricultural environments.

As of the date of this management discussion and analysis the Company is continuing the research and development of its AMIP's technology for various devices and prospective products including the Company's proposed SmartMask to detect COVID-19, smart-clothing, personal protective equipment applications, airborne sensors, breathalyzers, ELISA-based (enzyme-linked immunosorbent assay) technologies, cartridge/lateral flow designs and others. Viral selectivity screening is the next and final stage of laboratory-based development and will involve testing against a standardized panel of respiratory viruses to confirm that there is no cross-reactivity. Completion of the cross-reactivity testing is the last scientific development step required to produce specificity data before the Company can begin the process of applying for regulatory approval from government agencies such as the FDA and Health Canada.

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.

Affinity

On September 15, 2021, the Company provided an update on expected production capacities of its Affinity™ System (the "System"). Continuing refinement of bead formulations, has resulted in bead capacities in excess of 80,000 milligrams (80 grams) of cannabinoids per kilogram of beads was achieved in repeated testing using multiple preproduction lots of beads, and at multiple column sizes. These increased capacities allow for increased capacity of the system with reduced system size and complexity, overall footprint, and cost of operation. Consistent and repeatable loading capacity across different column sizes and configurations indicates stability of the process and the potential to scale up the size of the System to meet varying customer demand.

In addition, the System bead production has successfully been transitioned to a larger-scale production reactor in the Company's proving lab. The batch record and safety and waste disposal qualification with the Company's toll manufacturer was also completed. The System beads were tested repeatedly through loading and unloading cycles, and no material changes in performance were documented. In addition, no contaminants have been found to poison or otherwise influence the overall purification process when following the standard operating procedures.

On September 23, 2021, the Company announced that it had filed U.S. patent application No. 17/438,343, titled "Molecularly Imprinted Polymers for Extraction of Cannabinoids and Uses Thereof." The patent application filed is to convert the patent for the Company's Affinity technology from provisional to non-provisional status. This step involves an in-depth review of the technology from the U.S. Patent and Trademark Office and provides full patent protection after acceptance.

On September 29, 2021, the Company provided an update on upgraded engineering of its Affinity™ System. The upgraded design completed by AESI allows for increased throughput, with a smaller and simpler design than originally contemplated. The upgraded System will consist of a four-column configuration, as opposed to the original 20-column configuration as discussed above. This simpler configuration, coupled with the previously reported improvements in bead capacities, should result in a number of improvements to the system and its capabilities:

- Simplified flow sheet eliminating classic winterization with filtration;
- Cycle times reduced for complete processing of a column to approximately 15 minutes;
- Reduced ethanol usage and storage requirements, which will, in turn, result in reduced solvent recovery requirements;

- Production of greater than 90-per-cent-pure cannabinoid distillate on a single pass;
- Total cannabinoid recovery in excess of 95 per cent system-wide with the ability to recapture approximately 4 per cent giving a nearly 99-per-cent recovery; and
- Eliminating conventional distillation product loss of up to 15 per cent from inefficient processing temperatures.

Construction of the Company's initial preproduction units, including the two pilot systems and the first full System, continues at AESI under the supervision of Mr. John Cowan, the company's Chief Operating Officer. The first of two pilot systems entered wet testing on September 23, 2021. The pilot System, expected to be delivered to Green Envy, will be a simplified, two-column system, capable of producing up to 15 kilograms of high-purity distillate daily.

On October 5, 2021, the Company announced that it has shipped its System from AESI to the Company's laboratory for final configuration prior to delivery to Green Envy.

On October 19, 2021, the Company provided an update on the delivery of its System. The company received the first of three Systems at its proving laboratory in Baltimore, MD. The System was subject to a structured testing protocol to verify operation and final configuration for subsequent delivery to Green Envy pending Green Envy's receiving final site approval from the State of Michigan. Commissioning work will take place at Green Envy, to be followed by a 60-day confirmatory operation period. The Company conducted a site visit to refine the installation plan on October 25, 2021.

On November 18, 2021, the Company provided an update on commercial deployment of the Affinity™ System. Green Envy is in the process of wrapping up its production line in Michigan in December 2021 and once production commences, the Company will use the crude extract to complete performance testing on the System. The Company also completed the manufacture of System beads for use in the full-size System. The Company has completed the manufacturing of three additional bead orders that are slated to complete four production Systems.

As of the date of this management discussion and analysis the Company is planning to deliver the first of the three Affinity™ Systems to Green Envy before the end of fiscal Q3 2022.

The two-column System that is scheduled to be shipped to Green Envy is expected to be capable of processing approximately 6kg of final, high-purity distillate every 10 hours of operation. The larger production System expected to be capable of producing finished distillate of approximately 14 kg per 10 hours of operation or in excess of 30 kg per day thereby surpassing the company's original 20 kg per day goal using the original five-column system. The Company expects that some variations in performance will occur due to variations in input materials.

On January 19, 2022, the Company announced the execution of a Memorandum of Understanding (the "MOU") with Quantum Labs of New Mexico, LLC for the purchase and operation of the Affinity™ cannabinoid extraction and purification system. The non-binding MOU contemplates the purchase and delivery of the unit pursuant to the terms of a Total System Performance License (TSPL). The term of the TSPL is three years, with automatic renewals for additional three-year terms, absent notification by either party to the contrary sixty days prior to the expiration of the then-current term. Initial equipment set-up fees and ongoing license fees will be specified in the finalized Agreement.

Travel restrictions have also had an impact on the development of the Company's Affinity platform. The Company has had one worker fall ill with COVID-19 and has occasionally delayed travel and testing due to site specific lockdowns and quarantines.

Corporate and Other Developments

On November 8, 2021, the Company announced the appointment of Grant Mitchell to its board of directors.

On February 8, 2022, the Company announced the appointment of Sherman McGill to the Board of Directors of the Company and the appointment of Ms. Nicole Wood as Interim Chief Financial Officer. The Company further announced the resignation of Peter Manuel from his role as Chief Financial Officer and from the Board of Directors of the Company to pursue other business interests. Mr. Manuel's resignation and appointments of both Mr. McGill and Ms. Wood are effective February 25, 2022.

Financing Activities

Non-Brokered Private Placement Financings:

In December 2021, the Company issued 5,160,000 Units at a price of \$0.20 per Unit for gross proceeds totaling \$1,032,000. Each Unit consists of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Common Share at an exercise price of \$0.35 for a period of 24 months after the date hereof. In connection with the Financing, the Company paid finders fees in the aggregate amount of \$40,390 and issued a total of 201,950 finder's warrants (the "Finder's Warrants") to certain arm's-length finders. Each

Finder's Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.25 per Common Share for a period of 24 months after the date hereof. Securities issued pursuant to the Financing are subject to a hold period of four months and one day, expiring on April 24, 2022. Additional hold periods and/or trading or resale restrictions may also apply in the United States. Pursuant to the Financing, Sokhie Puar (a director of the Company) subscribed for 50,000 Units for gross proceeds to the Company of \$10,000, 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, exceed 25% 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.

Subsequent to period end, the Company completed the Placement to Sorbie Capital LP ("Sorbie") for aggregate gross amount of \$2.568 million.

Pursuant to agreements between the Company and Sorbie, the Company issued the following securities to Sorbie for an aggregate net consideration of \$2.4 million:

- 12,200,000 units of the Company (each a "Unit"). Each Unit consisting of one common share in the capital of the Company (a "Subscription Share") and one common share purchase warrant (a "Warrant"), with each Warrant entitling Sorbie to purchase an additional common share at an exercise price of \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance;
- 1,104 Convertible Loan Notes ("Notes") in the principal amount of \$1,000 per Note, bearing an interest rate of 1% per annum. Each Note is convertible into 4,167 common shares for a period of 36 months from the date of issuance. Conversion of the Notes is limited to only when shares issued combined with the then current holdings of the holder will not take the holder above 9.9% ownership of the Company; and
- 4,600,368 Common share purchase warrants (the "Note Warrant") issued on the same terms as the Warrants; (the Units, Notes, Note Warrants referred to collectively as the "Securities").

In addition, the Company has entered into a Sharing Agreement with Sorbie, which allows the Company to retain much of the economic interest in the Sorbie Subscription Shares and Notes. The Sharing Transaction will allow the Company to secure the potential upside on 12,200,000 of the Sorbie Subscription Shares arising from news flow over the next 24 months. The Sharing Transaction provides that the Company's economic interest will be determined and payable in 24 monthly settlement tranches as measured against a Benchmark Price of \$0.16 per share. If the measured share price exceeds the Benchmark Price, for that month, the Company will receive more than 100 per cent of the monthly settlement due. The measured share price is determined based on a VWAP for 20 trading days prior to the monthly settlement. There is no upper limit placed on the additional proceeds receivable by the Company as part of the monthly settlements. Should the share price be below the Benchmark Price, the Company will receive less than 100 per cent of the expected monthly settlement on a pro rata basis. In no case would a decline in the Company's share price result in any increase in the number of ordinary shares to be issued to Sorbie or any other advantage accruing to Sorbie.

The structure of this placing is designed to provide the Company with flexibility in continuing to advance the Company's Projects while maintaining a constant source of funds covering a portion of the Company's short to medium term cash flow requirements. Settlement of the balance of the Placement will occur after the Record Date for the Share Purchase Plan.

Pursuant to applicable Canadian securities laws, all of the securities issued pursuant to the Financing are subject to a hold period of four months and one day, expiring four months and one day from date of issue. Additional hold periods and/or trading or resale restrictions may also apply in the United States.

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, exceed 25% 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 proceeds from the Placement shall be used for general working capital, the deployment of its Affinity™ cannabis purification units, as well as continuing development of its AMIPs virus detection technology and its IXOS® technology

Convertible Debenture Interest Payment

On December 31, 2021, the Company paid interest on the Company's convertible debentures through the issuance of 75,479 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures.

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.

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, 2021 \$	For the year ended August 31, 2020 \$	For the year ended August 31, 2019 \$
Net loss	16,236	20,973	7,172
Loss per share – basic and diluted	0.16	0.34	0.22
Total assets	5,100	12,982	5,181

RESULTS OF OPERATIONS

Operating Expenses:

During the period ended February 28, 2022, the Company incurred a loss of \$3,708,736 compared to a loss of \$4,039,983 for the period ended February 28, 2021. The significant changes during the period compared to comparable prior period are as follows:

- The Company recorded amortization on its equipment, right of use assets, and intellectual property of \$314,065 (2021 – \$321,326).
- Advertising and promotion increased from \$386,482 to \$231,792 as a result of expenditure incurred to market the Company's products, as well as marketing programs to raise awareness of the Company's business in general.
- Management and consulting fees decreased by \$163,297 to \$1,446,944 (2021 - \$1,610,241). The current period includes additional members of management, consultants and directors as a result of the advancement of the Company's Affinity and AMIP's technology platforms.
- Office and miscellaneous expenses of \$68,171 are consistent with the comparable prior period of \$69,839.
- Professional fees increased by \$8,280 to \$305,154 (2021 - \$296,874). 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 increased to \$616,181 from the prior period of \$590,087. 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 \$269,442 attributable to the estimated value of stock options vested during the period. In the comparable prior period, the Company recorded \$661,986 resulting in a difference of \$392,544. The difference period over period is attributable to the size and timing of option grants in each period.

- Travel and related expenses decreased by \$11,226 to \$3,356 (2021 - \$14,582) 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, 2022, the Company recorded interest expense of \$261,420 (2021 – \$270,281) 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, 2022 the Company recorded a foreign exchange loss of \$28,619 (2021 – gain of \$7,642). 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, 2022	November 30, 2021	August 31, 2021	May 31, 2021
Net loss	(1,891,915)	(1,816,821)	(9,648,878)	(2,547,383)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.08)	(0.03)
Total assets	3,673,834	3,656,337	5,099,547	14,322,114
Total liabilities	3,474,822	2,754,643	2,543,540	4,031,922
Working capital (deficit)	(1,054,250)	(468,771)	1,119,052	1,804,483

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)

Expenses for the quarters ended May 31, 2021, February 28, 2021, and November 30, 2021 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, 2021 and 2020 were significantly higher than the net loss for the comparable period in the prior year as a result of the goodwill impairment of \$7,188,856 (2020 - \$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, 2022, the Company had a cash balance of \$271,008 (August 31, 2021 - \$1,068,054) to settle current liabilities of \$1,084,041 (August 31, 2021 - \$618,127).

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. 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, 2022 was \$1,854,838 (2021 - \$2,317,567). The cash was primarily used for research and development, management and consulting, advertising and promotion, professional fee and general and administrative expenses, net of non-cash expenditures.

During the period ended February 28, 2022, net cash inflow in financing activities was \$1,137,792 (2021- \$2,002,138). Financing related cash inflows consisted of proceeds from the issuance of shares of \$1,005,510 (2021 - \$1,704,003) and proceeds from loan payable of \$254,575 (US\$200,000) (2021 - \$155,198). Financing related cash outflows consisted of repayment of deferred salary loans of \$41,581 (2021 – \$81,994), payments on the convertible promissory note of \$Nil (2021 – \$856,231) and payments on the Company’s lease liability of \$80,712 (2021 – \$71,838).

During the period ended November 30, 202, the Company purchased equipment at a cost of \$80,000 (2021 – \$1,866). Furthermore, the Company advanced \$Nil (2020 – \$4,625) 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).

On January 27, 2022, the Company announced that it has filed a preliminary short form base shelf prospectus (the "Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the Provinces and Territories of Canada. The Prospectus was filed to provide the Company with financial flexibility and efficient access to Canadian capital markets to pursue its growth initiatives. Once a receipt for the final Prospectus is received from the applicable securities regulators, the final Prospectus will be valid for a 25-month period during which time the Company will be permitted to offer up to \$25 million of common shares, warrants, subscription receipts, debt securities, or any combination thereof, including in the form of units (collectively, the "Securities"). If any Securities are offered under the Prospectus, the terms of any such Securities and the intended use of the net proceeds resulting from such offering would be established at the time of any offering and would be described in a prospectus supplement filed with the applicable Canadian securities regulatory authorities at the time of such offering and would be made available by the Company.

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. 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. As noted in the financing activities section above during the year ended August 31, 2021, the Company repaid in cash and settled various deferred salary loan amounts through the issuance of common shares of the Company.

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, 2022, these commitments required total payments including estimated common expenses, as follows:

	\$
Payable not later than one year	441,729
Payable later than one year and not later than five years	2,412,933
Payable later than five years	-
	2,854,662

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, 2022, 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, 2022	Period Ended February 28, 2021
Management and consulting fees	\$ 616,973	\$ 498,150
Director's fees and consulting fees paid to directors	40,000	153,708
Share-based payments	73,646	405,654
Total	\$ 730,619	\$ 1,057,512

- (a) During the period ended February 28, 2022, the Company incurred \$225,000 (2021 – \$151,667) in management expense to the CEO of the Company pursuant to CEO services provided. The amount incurred included a one-time retention bonus of \$75,000 (2021 – \$nil). The Company recorded \$5,150 (2021 - \$142,783) in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the period. During the period ended February 28, 2022, the CEO advanced \$65,000 to the Company which is included in accounts payable and accrued liabilities as at February 28, 2022. As at February 28, 2022, the Company owed the CEO \$177,500 (August 31, 2021 - \$nil) for unpaid.
- (b) During the period ended February 28, 2022, the Company incurred \$1,644 (2021 - \$nil) in management and consulting expense to the CFO of the Company pursuant to CFO services provided. The Company recorded \$375 (2021 - \$nil) in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the period. As at February 28, 2022, the Company owed the CFO \$1,946 (August 31, 2021 - \$nil) for expenses.
- (c) During the period ended February 28, 2022, the Company incurred \$58,750 (2021 - \$60,708) in management and consulting expense to the former CFO of the Company pursuant to CFO services provided. The Company recorded \$2,575 (2021 - \$7,624) in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the period. As at February 28, 2022, the Company owed the former CFO \$14,687 (August 31, 2021 - \$nil) for unpaid payroll.
- (d) During the period ended February 28, 2022, the Company incurred \$Nil (2021 - \$79,600) in director's fees and management and consulting expense to the former CFO of the Company pursuant to CFO and Director services provided. The Company recorded \$Nil (2021 - \$30,919) in share-based compensation representing the fair value of options and DSU's that were granted to the former CFO which have vested during the period.
- (e) During the period ended February 28, 2022, the Company incurred \$139,006 (2021 - \$152,464) in management and consulting expense to the COO of the Company pursuant to COO services provided. The Company recorded \$5,150 (2021 - \$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, 2022, the Company owed the COO \$10,423 (August 31, 2021 - \$14,047) for unpaid payroll and expenses.
- (f) During the year ended February 28, 2022, the Company incurred \$185,573 (2021 – \$114,419) 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 retention bonus of \$75,000 (2021 – \$nil). The Company recorded \$5,150 (2021 - \$142,783) 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, 2022, the Company owed the EVP \$80,869 (August 31, 2021 - \$6,247) for unpaid payroll and expenses.

- (g) During the period ended February 28, 2022, the Company incurred \$47,000 (2021 – \$93,000) in director fees and consulting fees to Directors of the Company. The Company recorded \$55,247 (2021 – \$42,049) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the year. As at February 28, 2022, the Company owed the Directors \$37,000 (August 31, 2021 - \$nil) for unpaid director fees.

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.

Prior to the acquisition of 100% of the common shares of Geolithic the Company had classified its investment in Geolithic as an associated company. Prior to the acquisition 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. On April 20, 2021, the Company amended its option agreement with TriLateral Energy LLC ("TLE") and acquired 100% of the outstanding common shares of Geolithic. As a result of the acquisition of 100% of the common shares of Geolithic the Company obtained control of Geolithic and it became a wholly owned subsidiary of the Company and the accounts of Geolithic are included in the consolidated financial statements from the date control commenced.

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.

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.

OTHER MD&A REQUIREMENTS

Share Capital

Common shares

As at February 28, 2022, there were 122,851,931 issued and fully paid common shares outstanding. As at the date of this report, there were 135,051,831 issued and fully paid common shares outstanding.

Stock options

As at February 28, 2022 there were 6,740,000 stock options outstanding. As at the date of this report, there were 6,740,000 stock options outstanding.

Deferred share units

During the year ended August 31, 2020, the Company adopted an award plan (the “DSU Plan”), which permits the grant of deferred share units of the Company (“DSU’s”) whereby the maximum number of common shares reserved for the issue under the DSU Plan shall not exceed 2,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company’s Stock Option Plan, shall not exceed 10% of the Company’s outstanding shares.

On October 16, 2020 the Company issued 2,000,000 DSUs to a director and officers of the Company with a total value of \$760,000. During the period ended February 28, 2022, the Company recognized \$81,969 (2021 - \$318,836) in share-based compensation expense for DSUs which have vested during the period.

The DSU’s vest 25% immediately on the award date, 25% on the one-year anniversary of the award date, 25% on the two-year anniversary of the award date and 25% on the three-year anniversary of the award date. Early vesting is provided in the event of termination without cause, resignation at the request of the Company, death, or on the occurrence of a change of control of the Company. During the period ended February 28, 2022, 800,000 (2021 – 400,000) DSU’s have vested.

During the year ended August 31, 2021, 100,000 DSUs were settled at \$0.38 per share and 300,000 DSUs were forfeited. No DSUs were exercised or forfeited during the period ended February 28, 2022. As at February 28, 2022, there are 1,600,000 DSUs issued.

Warrants

As at February 28, 2022, there were 36,684,667 warrants outstanding. As at the date of this report, there were 42,046,617 warrants outstanding.

Escrowed shares

As at February 28, 2022, 5,093,793 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 were 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:

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, 2022 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

The Company's credit risk is primarily attributable to cash, receivables, and loans receivable. The Company’s primary exposure to credit risk was on its loan’s receivable. This risk was partially managed by a security interest in the assets of one of the borrowers. Cash consists of 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. 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 ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at February 28, 2022, the Company had a cash balance of \$271,008 (August 31, 2021 - \$1,068,054) to settle accounts payable and accrued liabilities of \$1,084,041 (August 31, 2021 - \$448,172).

Historically, the Company's sole source of funding has been the issuance of 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 significant equity funding. See note 2 for further details.

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. As at February 28, 2022, 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, 2022, the Company had a foreign currency net monetary liability position of \$396,899USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately \$4,000.
- c) Price risk - The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Other Risks

See Section 17 "Risk Factors" of the Company's Listing Statement (the "Listing Statement") dated February 6, 2020 and the "Risk Factors" of the Annual Information Form dated January 14, 2022 as found under the Company's SEDAR profile.

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. Subsequent to period ended February 28, 2022, the Company closed a non-brokered private placement for gross proceeds of \$2,568,000. 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.

Impact of the Russia-Ukraine Conflict on the Global Economy

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy. Certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain. It is impossible to predict what Russia intends to do, nor the impact the sanctions will have, but a continuing invasion would almost certainly lead to significant economic disruptions worldwide that could impact the Company, its vendors and suppliers, and impose significant costs on the Company, including costs related to capital equipment and shipping.

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 2022.

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 SARS CoV-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 0% of its balance sheet as of August 31, 2021 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