DANAVATION TECHNOLOGIES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED
APRIL 30, 2022

DATED JUNE 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") reviews the operating results, financial position, and liquidity of Danavation Technologies Corp. ("**Danavation**", "**we**", "**our**", or the "**Company**"). All amounts are stated in Canadian dollars unless otherwise noted. This MD&A should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements and the notes thereto for the three and nine months ended April 30, 2022, and 2021 (the "**Q3 Financial Statements**").

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this MD&A. The Unaudited Condensed Interim Consolidated Financial Statements and this MD&A have been approved by its Board of Directors. This MD&A is dated June 28, 2022.

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information contained herein is made as of the date of this MD&A and is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the "*Forward Looking Statements*" section in this MD&A.

DESCRIPTION OF BUSINESS

Background

Danavation was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia. The registered office of the Company is located at 1000 - 595 Burrard Street - P.O. Box 49290 - Vancouver, British Columbia, Canada V7X 1S8. The Company is proudly founded and based in North America. Its principal activity relates to the sale of micro e-paper displays and software to retailers to automate labeling, price, product, and promotions in real-time.

During the year ended July 31, 2021, the Company changed its name to Danavation Technologies Corp., and changed its year end from December 31 to July 31.

The Company's common shares trade on the Canadian Securities Exchange under the symbol "DVN" and on the OTCQB Venture Market in the US under the symbol "DVNCF".

Core Business

Danavation is a Canadian-based, Internet of Things ("**IoT**") technology company, providing micro e-paper displays to organizations across North America. The Company's Digital Smart Labels™ ("**DSLs**"), powered by IoT automation technology and software Platform-as-a-Service ("**PaaS"**), enables companies across various sectors to automate labelling, price, product, and promotions in real-time, enhancing data accuracy and improving performance by optimizing inventory, removing high labour costs and low productivity associated with traditional labour-intensive workflows. DSL's also help lessen company's need to attract and retain labor during a fiercely competitive period. By empowering the adoption of smart retail, smart cities and industry 4.0, Danavation's goal is to create a sustainable and profitable business for shareholders while advancing sound environmental, social and governance practices, including by significantly reducing paper usage. Danavation has introduced its solution to retailers across North America, including big box and boutique grocers, while also targeting new markets including healthcare providers, manufacturing, and logistics companies.

We believe that the following competitive advantages of its DSL solution are instrumental to securing business from both existing and future potential clients:

- North American headquarters enables quick and easy hands-on support for customer servicing and communications;
- Independent, in-house development of marketing, sales, and client support enables control over the full sales cycle;

- Quality and reliable hardware engineered in-house ensures products meet client standards;
- Network of various established relationships built from a management team with over 30 years of experience, meaning few to no cold calls are required;
- Secure end-to-end connectivity with unparalleled industry coverage, over-the-air (OTA) updates, and zero interference with Wi-Fi networks; and
- Adaptable for clients across industries including retail, healthcare, manufacturing, logistics, pet shelters, and others.

Strategic Objectives and Performance Drivers

As Danavation has achieved commercialization and is entering a period of forecast revenue ramp, the Company is committed to pursuing continued growth through expanded contracts to deploy DSLs for existing clients, including retailers, grocery stores, convenience and big box stores across the US and Canada, as well as healthcare providers and manufacturing and logistics companies. In addition, Danavation intends to continue developing new proprietary products, services and software solutions and securing further distribution partnerships with international companies who can market Danavation's solutions in various jurisdictions outside of North America.

Despite the challenges brought on from COVID-19, Danavation remains focused on executing its long-term strategy. Danavation is committed to building shareholder value by becoming a leading provider of DSLs, growing revenue and annual recurring revenue related to software solutions, and ultimately driving the generation of positive net income. As part of this strategy, the Company has focused on building an organization that is prudently managed within a sector that offers significant future potential as economies seek to increase automation and reduce the need for physical contact. The Company believes that adhering to capital discipline and fundamental customer-oriented principles will be the keys to success, along with cost controls and operational efficiencies.

To date in calendar 2022, Danavation has secured new clients, partnerships and location deployments for its DSLs, including the announcement of multiple new installs and a distribution partnership for Latin America and the Caribbean. Danavation intends to continue executing on growth opportunities that drive long-term value, focusing resources on securing high-quality clients with access to multiple locations which can help enhance exposure and support the pursuit of long-term profitability. The Company will also continue to evaluate compelling new hardware and software solutions which can further contribute to its long-term portfolio value and help fuel growth and sustainability into 2022 and beyond.

Outlook, Objectives and Milestones

Danavation is targeting to accomplish the following business objectives and milestones through fiscal 2022:

- Continue to enter and expand market presence in the US and Canada by establishing product sales and brand recognition with large retailers;
- Continue to expand management and operational team;
- Sign multiple distribution agreements and geographical exclusivity arrangements with channel partners increasing marketing leverage and operational competency and expertise in new markets;
- Design and develop additional propriety and differentiated products for commercialization such as NFC/RFID, IoT sensors, video analytics, and biometric systems; and
- Further enhance systems integration and on-site installation capabilities to seamlessly manage all operating activities and continue to create competitive advantages through best in class after sales service, support and customer service.

RECENT DEVELOPMENTS: Third Quarter 2022 To Date

On June 22, 2022, the Company announced its entry into the warehousing and logistics segment with the successful implementation of our DSLs into a warehouse for Montreal-based Chef Cook it, a pioneer in Canadian home delivery meal kits. The implementation at the Cook it warehouse was fully integrated in early June and has resulted in pending orders for additional DSLs to undertake a second phase roll-out at the facility.

On May 6, 2022, the Company announced its successful expansion into Nova Scotia through the installation of our DSLs into Luminate Co Wellness Market.

On May 5, 2022, the Company announced the installation of our DSLs into a Palma Pasta location in Mississauga, which we anticipate will be followed by a full roll-out to an additional three locations throughout the Greater Toronto Area. The location is expected to be fully operational during the fourth quarter of fiscal 2022.

On April 29, 2022, the Company announced the signing of a preferred vendor agreement with CTW to actively promote our DSLs and PaaS solution to their expansive and varied clientele. CTW membership includes the Independent Grocers Alliance ("**IGA**"), which has approximately 1,300 locations, plus another 100 additional retailers who collectively operate approximately 1,000 further locations. With this preferred vendor partnership, our technology will be actively showcased to all of CTW's customers, positioning us to attract further interest from retailers throughout the US and Canada.

On April 20, 2022, the Company announced its first installation of DSLs into a BMR Pro branded location in Ontario. We anticipate commencing the installation by the end of Q1 2023, with the location expected to be fully operational shortly thereafter.

On April 7, 2022, the Company announced further expansion into the U.S. market with the Company's first installation of DSLs in the state of South Carolina, and a second installation in California. Building on our initial installation with an Ace Hardware in Indiana announced in December of 2021, we are very pleased to extend this relationship with two new installations for independently owned Ace Hardware stores.

On March 31, 2022, the Company announced the completion of the first installation of our DSLs into a City Cannabis Co. branded location in southern California. This installation marks our first entry into the non-medical retail cannabis market, and one of six locations operating under the City Cannabis Co. brand.

On March 10, 2022, the Company announced that Sobeys Inc.'s Wholesale division awarded it a contract to provide customized software that delivers an end-to-end IoT operations management solution for the automation and streamlining of Sobeys Inc.'s Wholesale operations. Initially, the software roll-out is expected to approximately 300 Sobeys Inc. Wholesale customers. This software provides Sobeys Inc.'s wholesale operations with a unified digital experience across multiple hardware endpoints. Installation is planned primarily on their wholesale partners' networked scanner devices, with data being pulled from internal systems. The Company's custom-built software will be available across Sobeys Inc.'s Wholesale customer portfolio, primarily on Android-based personal device assistants ("**PDA**").

On February 28, 2022 the Company confirmed that it had secured an agreement to install its DSLs into a pilot location for the Macadoodles family of stores. The company anticipates the installation into the Missouri-based store will commence mid to late spring of 2022 and be completed shortly thereafter. Based on the success of the pilot location, Macadoodles anticipates further installations of DSLs across additional stores. Macadoodles has ten locations across Missouri and Arkansas. Each Macadoodles location operates independently and offers a range of services, including gas stations, wine cellars, and cigar humidors, to best serve the needs of the community. Having supported other beverage alcohol retailers, the Company's DSLs and PaaS offer an ideal solution for automating Macadoodles' in-store operations.

On February 17, 2022 the company announced its first installation of DSLs under the Pharmasave banner. Following the company's development of a custom link to Pharmasave's Point-of-Sale ("**POS**") system, the company anticipates the installation will be completed by Q1 2023. With over 800 stores across the country, Pharmasave is one of Canada's leading independent drugstore and pharmacy retailers.

On February 9, 2022, the company announced a strategic partnership with Profile Systems Design Group, Inc. ("**PSDG**"), provider of the TransActPOS software, for the marketing and promotion of the company's DSLs and PaaS solution. Under this agreement, PSDG has committed to install DSLs into an initial demonstration location centre, with plans to move to four test locations before the end of July 2022, assuming success with the first. PSDG currently manages and runs its TransActPOS software for a total of 274 hardware stores. Through this partnership, PSDG intends to broadly market and showcase the company's solutions to its wide-ranging group of retail customers.

On February 7, 2022, the company announced another installation of its Digital Smart LabelsTM ("DSLs") into a Liquor Control Board of Ontario ("LCBO") location in downtown Toronto, Ontario. This installation will be at the LCBO's newly relocated flagship store at 15 Cooper Street and will mark the company's third installation into an LCBO location. The installation was scheduled and successfully completed in time to service the store's grand opening on February 4, 2022. Following the company's successful installations into LCBO locations in Kitchener, informing its two-store pilot project and subsequent LCBO Case Study, the company has continued to build on developing a relationship with the Ontario government enterprise. The installation of the company's DSLs and PaaS solution will contribute to the LCBO's new urban concept design experience. LCBO will be receiving the company's custom-size, sleek, low profile, all charcoal black smart labels that will further elevate their new store design and enhance the customer experience.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the three months ended:	**April 30, 2022**	April 30, 2021	Change	Change
Total revenues	**628,114**	(34,637)	**662,751**	1913%
Net income / (loss)	**(1,017,715)**	(1,405,056)	**387,341**	28%
Weighted average shares outstanding	**104,201,590**	102,963,977	**1,237,613**	1%

For the nine months ended:	**April 30, 2022**	April 30, 2021	Change	Change
Total revenues	**906,202**	93,124	**813,078**	873%
Net income / (loss)	**(4,565,187)**	(4,836,906)	**271,719**	6%
Weighted average shares outstanding	**103,530,856**	89,097,009	**14,433,847**	16%

As at:	**April 30, 2022**	July 31, 2021	Change	Change
Cash	**19,062**	5,979	**13,083**	219%
Total assets	**4,473,187**	3,765,693	**707,494**	19%
Total liabilities	**7,689,594**	3,480,171	**4,209,423**	121%

For the three and nine months ended April 30, 2022, total revenues were $628,114 and $906,202 respectively, an increase of approximately $662,751 and $813,078 respectively, over the same periods in 2021. Sales during the third quarter of fiscal 2022 significantly improved primarily due to expansions into new markets and acquisitions of new customers.

Net losses improved to $1,017,715 from a loss of $1,405,056 in the third quarter of 2021 primarily due to the increase in revenues during the third quarter of 2022. Year-to-date net losses of $4,565,187 improved over the loss of $4,836,906 reported during the same period in 2021 due to the increase in revenues being offset by additional costs incurred in earlier quarters associated with generating business and promoting awareness.

Cash was $19,092 on April 30, 2022, an increase of $13,083 from July 31, 2021. The cash increase was primarily due to proceeds from debt financing activities partially offset by negative cash from operating and investing activities.

RESULTS OF OPERATIONS

For the:	Three months ended April 30, 2022	Three months ended April 30, 2021	Nine months ended April 30, 2022	Nine months ended April 30, 2021
Revenue	**$ 628,114**	$ (34,637)	**$ 906,202**	$ 93,124
Costs of sales	**(401,650)**	(68,907)	**(757,586)**	(151,154)
Gross profit	**226,464**	(103,544)	**148,616**	(58,030)
Expenses				
Advertising and sales promotion	**261,457**	396,674	**998,937**	688,710
Depreciation and amortization	**110,808**	67,423	**325,588**	112,763
Bank charges and interest	**131,961**	3,579	**423,482**	22,523
Accretion expense	**49,332**	-	**136,148**	-
Consulting fees	**-**	148,569	**24,000**	186,590
Office and general	**126,734**	79,762	**378,086**	161,615
Professional fees	**50,079**	18,065	**155,085**	107,633
Research and development	**199**	121,812	**5,690**	185,142
Salaries and benefits	**474,382**	446,555	**1,485,600**	1,290,263
Other expenses	**39,227**	19,073	**206,562**	76,605
Share-based compensation	**-**	-	**574,625**	891,847
Listing expenses	**-**	-	**-**	1,055,185
Total expenses	**1,244,179**	1,301,512	**4,713,803**	4,778,876
Net loss and comprehensive loss	**$ (1,017,715)**	$ (1,405,056)	**$ (4,565,187)**	$ (4,836,906)
Basic and diluted loss per Share	**$ (0.01)**	$ (0.01)	**$ (0.04)**	$ (0.05)
Weighted average number of shares	**104,201,590**	102,963,977	**103,530,856**	89,097,009

Revenue

For the three months ended April 30, 2022, revenues were $628,114 as compared to ($34,637) during the same period in 2021. The increase in revenues is due to client acquisition and the installation of the Company's DSLs primarily within pharmacy and hardware stores.

For the nine months ended April 30, 2022, revenues were $906,202 as compared to $93,124 during the same period in 2021. The growth is driven primarily by the revenues derived from the third quarter, along with additional revenues from DSLs installed in the first and second quarter of 2022.

Gross Profit / Loss

For the three-month period ended April 30, 2022, gross profit was $226,464 as compared to a gross loss of $103,544 during the same period in 2021. The gross profit increased due to increases in revenues and the acquisitions of margin-positive installations.

Likewise, for the nine months ended April 30, 2022, gross profits were $148,616 as compared to a gross loss of $58,030 realized year-to-date 2021.

The profit margin for the three-month period was approximately 36% as compared to 16% year-to-date 2022. The increase in gross margin is due to the fact that the Company was historically trying to build awareness and was operating as a loss leader. With installations increasing, the Company is now able to increase margin when pricing.

Expenses

Advertising and sales promotion expenses decreased during the three months ended April 30, 2022, to $261,457 from $396,674 over the same period in 2021. The decrease represents the Company's focus on executing on existing contracts and completing installations of DSLs. Advertising and sales promotion expenses increased during the nine months ended April 30, 2022, to $998,937 from $688,710 over the same period in 2021. The increases represent the Company's investment during the first and second quarter in marketing to improve product awareness.

Depreciation and amortization expenses are charged on the Company's fixed assets and right-of-use assets. The year-over-year and quarter-over-quarter respective increases are primarily driven by the adoption of IFRS 16, requiring the capitalization and amortization of its right-of-use assets.

Bank charges and interest for the three-month period ended April 30, 2022, increased to $131,961 from $3,579 over the same period in 2021. Likewise, year-to-date bank charges and interest increased to $423,482 in 2022 from $22,523 in 2021. The respective increases are primarily driven by the issuance of $750,000 short-term debts bearing interest at 7.00% per annum and $3,850,000 long-term debts bearing interest at 8.00% per annum, during fiscal 2022.

Accretion expense increased to $49,332 and $136,148 during the respective three-month and nine-month period ended April 30, 2022, from $nil in the prior year. Accretion expense is recorded on the long-term debts that were issued during fiscal 2022.

Consulting fees were $nil during the three-month period ended April 30, 2022, as compared to $148,569 during the three-month period ended April 30, 2021. Year-to-date consulting fees were $24,000 as compared to $186,590 incurred during the same time in 2021. During 2021, the Company made use of operational consultants which are no longer engaged.

Office and general expenses increased to $126,734 and $378,086 for the three and nine months ended April 30, 2022, from $79,762 and $161,615, respectively during the comparative period, as the Company incurred greater costs associated with a larger staffing head count coupled with its increased operational base.

Professional fees were $50,079 and $155,085 during the respective three-and-nine-month period ended April 30, 2022, increased from $18,065 and $107,633 incurred during the same respective periods in 2021. Professional fees incurred during 2021 were primarily due to legal, accounting and reporting fees associated with the reverse takeover transaction. Professional fees in 2022 are incurred in the normal course of business, including normal course legal and accounting related charges.

Research and development expenses were $199 and $5,690 during the respective three-and-nine-month period ended April 30, 2022, decreased from $121,812 and $185,142 incurred during the same respective periods in 2021. Research and development expenses incurred in 2021 were associated with the design and development of additional propriety and differentiated products for commercialization such as NFC/RDIF, IoT sensors, video analytics, and biometric systems.

Salaries and benefits were $474,382 and $1,485,600 during the respective three-and-nine-month period ended April 30, 2022, increased from $446,555 and $1,290,263 incurred during the same respective periods in 2021, as the Company built its team and increased its investment in human capital.

Other expenses include trade shows, travel, utilities, and vehicle expenses. During the three months ended April 30, 2022, other expenses increased from $19,073 in Q3 2021 to $39,227. The increase was primarily driven by increases in trade shows where the Company displayed product offerings and capabilities. During the nine months ended April 30, 2022, other expenses increased from $76,605 in 2021 to $206,562. This increase was due to the Company's focus on increasing awareness, resulting in increased in travel and trade shows throughout the fiscal year as Covid-19 lockdown restrictions were lifted.

During the nine-months ended April 30, 2022, 2,025,000 stock options were issued to officers, directors, employees, and consultants, as compared to 4,640,000 stock options issued during the nine-months ended April 30, 2021. As a result, share-based compensation was $574,625 during the nine-months ended April 30, 2022, as compared to $891,847 during the same period in 2021.

Listing expense declined to nil for the three and nine months ended April 30, 2022, versus $1,055,185 for the same periods in 2021. The expense for the comparative periods represents the costs associated with the reverse takeover.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes comparative quarterly results for the last eight quarters.

($000's)	**Q3/22**	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Revenues	**628**	140	138	97	42	38	13	13
Net losses	**(1,018)**	(2,023)	(1,524)	(1,351)	(1,405)	(2,434)	(631)	(593)
Loss per share	**(0.01)**	(0.02)	(0.01)	(0.01)	(0.01)	(0.09)	(0.01)	(0.01)

For a detailed explanation and analysis of quarterly results, refer to Management's Discussion and Analysis for each of the respective quarterly periods filed on www.sedar.com.

TRANSACTIONS WITH RELATED PARTIES

Key management and director compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include executive officers and members of the Board of Directors. The compensation paid to key management includes executive wages and bonuses as per terms of employment, as well as stock options. Compensation provided to key management is as follows:

For the nine months ended April 30,	**2022**	2021
Compensation paid to key management	**$ 647,115**	$ 200,720
Stock based compensation – officers, directors, and key management	**235,431**	503,922

Other related party transactions

During the three-and-nine months ended April 30, 2022, the Company paid $nil and $19,481, respectively, (2021 - $27,643 and $$27,643, respectively) to Marrelli Support Services Inc. ("Marrelli Support") and DSA Corporate Services Inc. (the "DSA"), together known as the "Marrelli Group" for:

(i) Robert D.B. Suttie to act as Chief Financial Officer ("CFO") of the Company

(ii) Corporate filing services

The amount represents the final expenses for Robert Suttie (former CFO) through July 30, 2021. Both Marrelli Support and DSA are private companies. Robert Suttie is the President of Marrelli Support.

During the three-and-nine months ended April 30, 2022, the Company paid $nil and $36,782, respectively, (2021 - $nil and $4,520, respectively) to Loberto and Associates primarily for Executive search services. The Company was a related party to Tom Loberto (former Director).

As at April 30, 2022 and 2021, the Company had amounts due Dana Industries Inc.and K Iccir Holdings Inc., representing unsecured, non-interest bearing, payables with no specific terms for repayment, as follows:

	Apr 30, 2022	Apr 30, 2021
Dana Industries	**$ 321,840**	$ 342,734
K Iccir Holdings Inc.	**150,955**	160,955

LIQUIDITY AND CAPITAL RESOURCES

For the:	**Three months ended April 30,**		**Nine months ended April 30,**	
	2022	2021	**2022**	2021
Cash used in operating activities	**(712,559)**	(1,824,358)	**(4,168,878)**	(3,108,313)
Cash from (used in) investing activities	**(3,791)**	(187,311)	**(81,077)**	187,546
Cash from financing activities	**318,274**	599,884	**4,263,038**	3,302,327
Cash, beginning of period	**417,138**	2,491,986	**5,979**	698,641
Cash, end of period	**19,062**	**1,080,201**	**19,062**	1,080,201

The Company manages its capital with the following objectives:

i. To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
ii. To maximize shareholder, return through enhancing the share value.

The Company monitors its capital structure and adjusts according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be debt and equity. The Company manages capital through its financial and operational forecasting processes. Danavation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended April 30, 2022.

During the three months ended April 30, 2022, Danavation used $712,559 in operating activities. On a year-to-date basis, cash from operating activities consumed $4,168,878. Cash used in operating activities relates to spending on activities necessary for business growth, including employees, marketing and general operating expenses.

Net investing activities for the three-and-nine-month period ended April 30, 2022 consumed $3,791 and $81,077, respectively, mainly attributable to the purchases of fixed assets.

Net financing activities for the three-and-nine-month period ended April 30, 2022, were a source of $318,274 and $4,263,038, respectively, primarily derived through proceeds from long- and short-term debts and exercises of stock options and warrants, net of payments on lease liabilities.

OUTSTANDING SHARE DATA

Danavation's authorized share capital consists of an unlimited number of Shares. The following table quantifies the number of issued and outstanding Shares and exercisable securities.

	June 28, 2022	April 30, 2022	July 31, 2021
Outstanding shares	103,692,850	103,692,850	103,200,987
Exercisable securities			
Warrants	8,828,648	8,828,648	8,499,400
Options	6,590,000	6,590,000	5,045,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES

Application of the Company's accounting policies in compliance with International Financial Reporting Standards ("IFRS") requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

Please refer to the Audited Annual Consolidated Financial Statements for the years ended July 31, 2021 and 2020 for further details.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Management has mitigated the risk by using tier 1 financial institutions for managing its cash and has established communication channels with counterparties of the receivables for ongoing monitoring of their financial performance. In addition, the Company`s customer base is diversified with no reliance on any one client.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due or can only do so at excessive cost.

The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As all the Company's financial debts are on a fixed interest rate, the impact of a change in interest rates will not impact the Company's income or cash flows during the contract term.

Foreign Exchange Risk

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated group determines its own functional currency.

The Company is exposed to certain currency risks in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. Management has mitigated the risk by negotiating the majority of contracts in Canadian dollars.

RISKS AND UNCERTAINTIES

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay in executing the Company's business plan. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking information being collectively hereinafter referred to as "forward-looking statements"). Such forward-looking statements are based on expectations, estimates and projections as at the date of this MD&A. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", "is expected", "anticipates", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends", or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward looking statements include, but are not limited to, statements and information concerning: the intentions, plans and future actions of the Company; statements relating to the business and future activities of the Company after the date of this MD&A; market position, ability to compete and future financial or operating performance of the Company after the date of this MD&A; anticipated developments in operations of the Company; the timing and amount of funding required to execute the Company's business plans; capital expenditures; the effect on the Company of any changes to existing or new legislation or policy or government regulation; the length of time required to obtain permits, certifications and approvals; the availability of labour; estimated budgets; currency fluctuations; requirements for additional capital; limitations on insurance coverage; the timing and possible outcome of litigation in future periods; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; the adequacy of financial resources; and other events or conditions that may occur in the future.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: operational risks; regulation and permitting; evolving markets; industry growth; uncertainty of new business models; speed of introduction of products and services to the marketplace; undetected flaws; risks of operation in urban areas; marketing risks; geographical expansion; limited operating history; substantial capital requirements; history of losses; reliance on management and key employees; management of growth; risk associated with foreign operations in other countries; risks associated with acquisitions; electronic communication security risks; insurance coverage; tax risk; currency fluctuations; conflicts of interest; competitive markets; uncertainty and adverse changes in the economy; reliance on components and raw materials; change in technology; quality of products and services; maintenance of technology infrastructure; privacy protection; development costs; product defects; insufficient research and development funding; uncertainty related to exportation; legal proceedings; reliance on business partners; protection of intellectual property rights; infringement by the Company of intellectual property rights; resale of shares; market for securities; dividends; and global financial conditions.

The lists of risk factors set out in this MD&A or in the Company's other public disclosure documents are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set out in this MD&A generally and certain economic and business factors, some of which may be beyond the control of the Company. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements. The Company does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by applicable law. For all of these reasons, the Company's securityholders should not place undue reliance on forward-looking statements.