DANAVATION TECHNOLOGIES CORP.

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

FOR THE THREE AND TWELVE MONTHS ENDED
JULY 31, 2022

DATED DECEMBER 15, 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 Consolidated Financial Statements and the notes thereto for the year ended July 31, 2022, and 2021 (the "**Consolidated 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 Consolidated Financial Statements and this MD&A have been approved by its Board of Directors. This MD&A is dated December 15, 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.

During fiscal 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 future years.

Outlook, Objectives and Milestones

Danavation is targeting to accomplish the following business objectives and milestones through fiscal 2023:

- 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: Fourth Quarter 2022 To Date

On October 7, 2022 the Company announced the closing of the final tranche of a non-brokered private placement through the issuance of 2,320,000 units at a price of $0.25 per unit, for aggregate proceeds of $580,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. The warrants are exercisable at a price of $0.35 for a period of twenty-four months. In connection with the third tranche of the offering, the Company paid cash commissions of $39,750 and issued 25,500 broker warrants. Each broker warrant entitles the holder thereof to acquire one common share at an exercise price of $0.25 per common share for twenty-four months from the closing of the offering.

On September 22, 2022 the Company announced the closing of the third tranche of a non-brokered private placement through the issuance of 1,452,000 units at a price of $0.25 per unit, for aggregate proceeds of $363,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. The warrants are exercisable at a price of $0.35 for a period of twenty-four months. In connection with the third tranche of the offering, the Company paid cash commissions of $25,350 and issued 101,400 broker warrants. Each broker warrant entitles the holder thereof to acquire one common share at an exercise price of $0.25 per common share for twenty-four months from the closing of the Offering. In addition, the Company issued 102,000 broker warrants in connection with the closing of the second tranche of the offering.

On August 26, 2022 the Company announced the closing of the second tranche of a non-brokered private placement through the issuance of 3,120,000 units at a price of $0.25 per unit, for aggregate proceeds of $780,000. Each unit is comprised of one common share and one-half of a common share purchase warrant. The warrants are exercisable at a price of $0.35 for a period of twenty-four months. In connection with the second tranche of the offering, the Company paid cash commissions of $25,500. In addition, the Company announced that the holder of a convertible promissory note in the principal amount of $750,000 has converted the full amount of the note into units in accordance with the terms of the note, and accordingly the Company has issued 3,000,000 common shares and 1,500,000 warrants to the holder.

On July 22, 2022 the Company announced the closing of the first tranche of a non-brokered private placement through the issuance of 590,000 units at a price of $0.25 per unit, for aggregate proceeds of $147,500. Each unit is comprised of one common share and one-half of a common share purchase warrant. The warrants are exercisable at a price of $0.35 for a period of twenty-four months.

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.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the years ended:	July 31, 2022	July 31, 2021	Change	Change
Total revenues	**1,154,466**	324,891	**829,575**	255%
Net income / (loss)	**(6,179,616)**	(5,684,859)	**(494,757)**	9%
Weighted average shares outstanding	**103,586,235**	92,671,393	**10,914,842**	12%

As at:	July 31, 2022	July 31, 2021	Change	Change
Cash	**13,861**	5,979	**7,882**	132%
Total assets	**3,453,505**	3,900,949	**(447,444)**	11%
Total liabilities	**7,959,381**	3,480,171	**4,479,210**	129%

For the years ended July 31, 2022, and 2021, total revenues were $1,154,466 and $324,891 respectively, an increase of approximately $829,575. Sales during fiscal 2022 significantly improved primarily due to expansions into new markets and acquisitions of new customers.

Net losses decreased to $6,179,616 from a loss of $5,684,859 in fiscal 2021 primarily due to the increase in expenses during 2022. The Company also focused efforts on increasing revenues, thereby experiencing am increase in cash expenses year over year to support the scaling initiatives.

Cash was $13,861 on July 31, 2022, an increase of $7,882 from July 31, 2021. The cash increase was primarily due to proceeds from debt and equity financing activities partially offset by negative cash from operating and investing activities.

RESULTS OF OPERATIONS

For the year ended	July 31, 2022	July 31, 2021
Revenue	**$ 1,154,466**	$ 324,891
Costs of sales	**(813,423)**	(202,672)
Gross profit	**341,043**	122,219
Expenses		
Advertising and sales promotion	**1,262,656**	987,296
Depreciation and amortization	**436,398**	151,321
Bank charges and interest	**565,147**	83,548
Accretion expense	**192,514**	-
Consulting fees	**59,920**	285,258
Office and general	**1,188,956**	500,217
Professional fees	**216,227**	179,900
Salaries and benefits	**1,719,895**	1,777,302
Other expenses	**229,869**	93,398
Share-based compensation	**649,077**	995,739
Listing expenses	**-**	753,099
Total expenses	**6,520,659**	5,807,078
Net loss and comprehensive loss	**(6,179,616)**	(5,684,859)
Basic and diluted loss per Share	**$ (0.06)**	$ (0.06)
Weighted average number of shares	**103,586,235**	92,671,393

Revenue

Revenues earned during fiscal 2022 were $1,154,466 as compared to $324,891 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.

Gross Profit / Loss

For the twelve-month period ended July 31, 2022, gross profit was $341,043 as compared to $122,219 during the same period in 2021. The gross profit increased due to increases in revenues and the acquisitions of margin-positive installations.

Expenses

Advertising and sales promotion expenses increased during the year ended July 31, 2022, to $1,262,656 from $987,296 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 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 year ended July 31, 2022, increased to $565,147 from $83,548 in 2021. The increase is 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.

Similarly, the Company incurred accretion expense of $192,514 during the year ended July 31, 2022, compared to $nil in 2021, as the accretion expense is recorded on the long-and-short-term debts that were issued during fiscal 2022.

Fiscal 2022 year-to-date consulting fees were $59,920 as compared to $285,258 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 $1,188,956 in fiscal 2022 as compared to $500,217 in fiscal 2021. This is primarily due to the Company's scaling initiatives and building the support systems to accommodate the anticipated growth. Further, the Company reviewed all long-standing assets at year end and wrote off balances that were deemed to not have a future value.

Professional fees incurred during 2021 were primarily due to legal, accounting and reporting fees associated with the reverse takeover transaction and amounted to $179,900. Professional fees in 2022 are incurred in the normal course of business, including normal course legal and accounting related charges, and amounted to $216,227.

Salaries and benefits were $1,719,895 during the twelve-month period ended July 31, 2022, as compared to $1,777,302 incurred during the same period in 2021. The salaries were similar as the Company replaced turnover, bolstering the team in key areas.

Other expenses include trade shows, travel, utilities, and vehicle expenses. During the twelve months ended July 31, 2022, other expenses increased from $93,398 in 2021 to $229,869. 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 twelve-months ended July 31, 2022, 2,825,000 stock options were issued to officers, directors, employees, and consultants, as compared to 5,095,000 stock options issued during the twelve-months ended July 31, 2021. As a result, share-based compensation was $649,077 during the year ended July 31, 2022, as compared to $995,739 during the same period in 2021.

Listing expense declined to nil for the year ended July 31, 2022, versus $753,099 for the same periods in 2021. The expense for the comparative periods represents the costs associated with the reverse takeover.

FOURTH QUARTER: RESULTS OF OPERATIONS

For the three months ended		July 31, 2022		2021
Revenue	**$**	**248,264**	$	96,511
Costs of sales		**(55,837)**		(51,518)
Gross profit		**192,427**		44,993
Expenses				
Advertising and sales promotion		**263,719**		298,586
Depreciation and amortization		**110,810**		94,648
Bank charges and interest		**141,665**		61,025
Accretion expense		**56,366**		-
Consulting fees		**35,920**		98,668
Office and general		**805,180**		153,460
Professional fees		**61,142**		72,267
Salaries and benefits		**234,295**		487,039
Other expenses		**23,307**		16,793
Share-based compensation		**74,452**		113,400
Total expenses		**1,806,856**		1,395,886
Net loss and comprehensive loss		**(1,614,429)**		(1,350,893)
Basic and diluted loss per Share	**$**	**(0.02)**	$	(0.01)
Weighted average number of shares		**103,751,850**		103,200,987

Revenue

For the three months ended July 31, 2022, revenues were $248,264 as compared to 96,511 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.

Gross Profit / Loss

For the three-month period ended July 31, 2022, gross profit was $192,427 as compared to a gross profit of $44,993 during the same period in 2021. The gross profit increased due to increases in revenues and the acquisitions of margin-positive installations.

Expenses

Advertising and sales promotion expenses remained consistent during the three months ended July 31, 2022, at $263,719 as compared to $298,586 over the same period in 2021. These costs represent the Company's investment in marketing to improve product awareness.

Depreciation and amortization expenses are charged on the Company's fixed assets and right-of-use assets. The 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 July 31, 2022, increased to $141,665 from $61,025 over the same period 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 $56,366 during the three-month period ended July 31, 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 $35,920 during the three-month period ended July 31, 2022, as compared to $98,668 during the three-month period ended July 31, 2021. During 2021, the Company made use of operational consultants which are no longer engaged.

Office and general expenses increased to $805,180 for the three months ended July 31, 2022, from $153,460 during the comparative period. The increase was primarily due to the Company reviewing all long-standing assets at year end and writing off balances that were deemed to not have a future value.

Professional fees were $61,142 during the three- month period ended July 31, 2022, decreased from $72,267 incurred during the same respective period 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.

Salaries and benefits were $234,295 during the three-month period ended July 31, 2022, decreased from $487,039 incurred during the same period in 2021, as undertook significant efforts to decrease operating costs.

Other expenses include trade shows, travel, utilities, and vehicle expenses. During the three months ended July 31, 2022, other expenses increased from $16,793 in Q4 2021 to $23,307. The increase was primarily driven by increases in trade shows where the Company displayed product offerings and capabilities.

SUMMARY OF QUARTERLY RESULTS

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

($000's)	**Q4/22**	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Revenues	**248**	628	140	138	232	42	38	13
Net losses	**(1,614)**	(1,018)	(2,023)	(1,524)	(1,351)	(1,405)	(2,434)	(631)
Loss per share	**(0.02)**	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.09)	(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

Amounts payable to related parties:

The Company had the following amounts due to companies controlled by an officer of the Company:

	As at July 31, 2022	As at July 31, 2021
Dana Industries	**350,829**	433,013
K Iccir Holdings Inc.	**150,955**	166,955
Total	**$ 501,784**	$ 599,968

The amounts due to Dana Industries Inc.and K Iccir Holdings Inc. are unsecured, non-interest bearing, with no specific terms for repayment and are due on demand.

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 members of the Board of Directors and executive officers. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries, bonuses, stock options or post-employment benefits. Compensation provided to current and key management are as follows:

	For the fiscal year ended July 31,	
	2022	2021
Short-term benefits	**580,265**	446,436
Long-term benefits	**433,323**	503,922
Total	**$ 1,013,588**	$ 950,358

LIQUIDITY AND CAPITAL RESOURCES

For the year ended	**July 31,**	
	2022	2021
Cash used in operating activities	**(4,116,966)**	(3,634,586)
Cash from (used in) investing activities	**(116,221)**	(341,089)
Cash from financing activities	**4,241,069**	3,283,013
Cash, beginning of period	**5,979**	698,641
Cash, end of period	**13,861**	5,979

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 twelve months ended July 31, 2022.

During the twelve months ended July 31, 2022, Danavation used $4,116,966 in operating activities. 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 twelve-month period ended July 31, 2022, consumed $116,221, mainly attributable to the purchases of fixed assets.

Net financing activities for the twelve-month period ended July 2022, were a source of $4,241,069, primarily derived through proceeds from long- and short-term debts, equity financing, 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.

	December 15, 2022	July 31, 2022	July 31, 2021
Outstanding shares	114,174,850	104,282,850	103,200,987
Exercisable securities			
Warrants	9,123,648	9,123,648	8,499,400
Options	5,275,000	5,700,000	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

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Areas requiring estimates and judgements are as follows:

Inventory

The cost of inventories is written down to the net realizable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the NRV of an item of inventory is less than the carrying amount, the excess is written off immediately in the profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Company carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow-moving items so as to write off or write down inventories to their NRVs.

Estimated useful lives and depreciation and amortization of property, plant, and equipment

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used.

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating the fair valueof Level 2 investments, the Company uses key inputs including the share price of underlying securities, annualized volatility, the risk-free interest rate, the dividend yield, and the expected life of the security.

Inputs when using Black-Scholes valuation model

The estimates used in determining the stock option and warrant fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model. Inputs subject to estimates include volatility, forfeiture rates, estimated lives and market rates.

Discount rates

The discount rates used to calculate net present value of the convertible debentures are based on management's best estimates of an approximate industry peer group weighted average cost of capital and management's best estimate of the Company's risk levels.

Changes in the general economic environment could result in significant changes to this estimate.

Convertible instruments

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Future changes in accounting policies

(i) In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by:

- Specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists;

- Clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets, or services;

- Clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and

- Clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments.

In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of the COVID-19 pandemic. Early application is permitted. The AcSB endorsed the IASB's amendment to defer the effective date in October 2020. The adoption of the above standard is not expected to have a material impact on the Company's financial statements.

(ii) In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements.

- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The adoption of the above standard is not expected to have a material impact on the Company's financial statements.

(iii) In May 2021, the IASB issued amendments to the recognition exemptions under IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The adoption of the above standard is not expected to have a material impact on the Company's financial statements.

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.