

POND TECHNOLOGIES HOLDINGS INC.

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

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2020**



Dated November 27, 2020

All amounts are Canadian dollars in thousands, except share and per share amounts where specified.

Introduction

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations of Pond Technologies Holdings Inc. ("**Pond**" or the "**Corporation**") constitutes management's review of the Corporation's financial and operating performance for the three and nine months ended September 30, 2020, financial condition and future prospects. Except as otherwise noted, this MD&A is dated November 27, 2020 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2020 and the audited consolidated annual financial statements of Pond Technologies Holdings Inc. for the years ended December 31, 2019 and 2018 and the related notes thereto.

Pond Technologies Holdings Inc. is incorporated under the *Business Corporations Act* of Alberta. Effective January 30, 2018 the Corporation completed a business combination and change of business transaction with Pond Technologies Inc. by way of a three-cornered amalgamation, that resulted in, amongst other things, the Corporation changing its name from Ironhorse Oil & Gas Inc. to Pond Technologies Holdings Inc.

As of February 6, 2018, the Corporation's shares began trading on the TSX Venture Exchange ("**TSXV**") under the new trading symbol "POND." As of January 29, 2020 the Corporation's shares began trading on the OTC market under the trading symbol "PHND."

This MD&A is prepared as at November 27, 2020 and is current to that date unless otherwise stated. The Financial Statements of the Corporation and extracts of those financial statements provided within this MD&A, have been prepared in Canadian dollars, in accordance with International Accounting Standard ("**IFRS**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, (the "**Board**") considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Pond common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Corporation and its operations is available on Pond's website at www.pondtech.com or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at www.sedar.com.

Description of Business

The Corporation's primary business is to pursue microalgal biomass cultivation using available sources of carbon dioxide ("**CO₂**"), including CO₂ rich emission sources from industrial plants and the licensing of its technology. The resultant algae can be used in the production of nutraceuticals, commonly known as superfoods, growth of unique algae strains of algae for the expression of complex proteins used in diagnostics and therapeutic treatments, aquaculture, animal feeds, and as feedstock in the production of biofoams and algae based biomaterials.

The Corporation has formed nutraceutical and biotech business segments and is actively pursuing opportunities in the nutraceutical superfood marketplace, and the production of complex proteins used in therapeutic treatments. In addition, the Corporation is also working to extend its technology applications into related verticals, including land remediation, aquaculture and animal feeds, in an effort to commercialize the adoption of its integrated proprietary algae growth platform.

Q3 2020 Highlights

Financial and operational highlights for the three months ended September 30, 2020:

Group operating highlights

- **49% Decrease in the Loss From Operations excluding Pembina capital asset impairment charge** - The Q3 operating loss of \$485 (\$2,783 less impairment charge \$2,325) (2019: \$956) was \$471 lower as compared to Q3 2019. – In April 2020, Pond reduced operating costs through staff, executive and operating cost reductions and repositioning its operation for a change in strategy to focus on fewer and more likely activities to generate near term revenue.
- **\$2,145 Reduction of Cash Used in Operating Activities** – The net cash outflow from operating activities for the nine months ended September 30, 2020 was \$1,490 as compared to \$3,635 in 2019. The benefit of the cost reductions put in place in April 2020, as well as expected increasing revenue growth, are essential to the goal of becoming cashflow positive.
- **Oil & Conventional Natural Gas impairment provision of \$2,325** - (2019: \$812) was taken in Q3 due to the closure of a down-stream gas plant which processed and provided the 20% H₂S sour gas solution for oil produced from the Pembina oil Pool. This situation has rendered the Pool with no foreseeable future cash flow, until a new gas re-injection solution can be found in the immediate area.

Operating business segments

- **Pond Naturals Revenue** - Q3 revenues for Pond Naturals of \$1,183 (2019: \$1,233) are derived from the sale of distributed ingredient products and astaxanthin and hand sanitizer products produced at the Corporation's plant located in BC. There was a 4% decrease as compared to Q3 2019. The decrease was in part due to a strengthening Canadian dollar and a temporary revenue slowdown from COVID-19 in the distributed ingredients sector.
- **Pond Biotech**, – In August 2020 Pond Biotech commenced scale-up growth trials on two unique strains of algae using Pond's proprietary growth platform. The unique algae strains express complex proteins used in diagnostics and therapeutic treatments including unique proteins targeted for use in serological (blood) testing for COVID-19. The Corporation is in the process of expanding its activities in the growth of algae for diagnostics and therapeutic treatments.
- **Technology Services** – Revenue of \$92 (2019: \$118) lower by \$26. Q3 2020 revenue arose from work related to 3 growth study projects and engineering support relating to preliminary work for possible future commercial algae facilities. \$38 of Q3 2020 revenue resulted from work on the Stelco Algae Project where activities have been reduced significantly pending project financing.
- **Algae Growth Containerization Unit** – Work was completed for the launch of a containerized Pond proprietary growth system. Priced at US\$1.6m the scalable unit package includes a laboratory, photobioreactor, controls and training and can be shipped anywhere in the world. The unit includes full capabilities to grow, harvest, and spray dry algae biomass and can serve as a "proof of concept" for anyone looking to transform greenhouse gas emissions into valuable products.

Outlook and Strategy

Pond is a publicly traded ESG company which is able to provide proprietary carbon-to-microalgae technology to address the global sustainability challenges of climate change, sustainable food production and the production of complex proteins used in therapeutic treatments.

Pond is recognized as a world leader in the development of its proprietary world class technology and related systems to optimize algae growth in controlled and scalable environments.

Pond believes that the multi-billion dollar sustainable animal feed and functional food protein markets, the production of complex proteins used in therapeutic treatments and nutraceutical markets are all primed for an algae-based revolution. These industries have been researching the uses of algae for decades, but no technology that can scale production has emerged. A scalable algae production technology would enable these industries to be more profitable and more sustainable, resulting in a paradigm shift similar to the transformational changes that we see in renewable energies today. Pond believes it provides the disruptive, scalable platform technology that has held the industry back to-date. Pond's aim is to become the largest supplier of algae-growing technology in the world.

The Corporation's research and development work has positioned the Corporation to be able to deploy its technology on a commercial basis once further adoption of the technology by industry is achieved. Pond has completed a commercial sale of its bio-reactor technology and continues to expand the application of its technology including the recent development of microalgae plants assembled from modular container units. Pond is in discussions with industrial stack emitters and commercial feed and ingredient producers and processors to adopt its technology to grow microalgal. If successful, this would result in the sale and adoption of commercial size Pond bioreactors and related technology. Pond will have working capital requirements arising from the commercial sale of its technology and the amount of working capital required will depend on the type and terms of any contract agreed to with a customer.

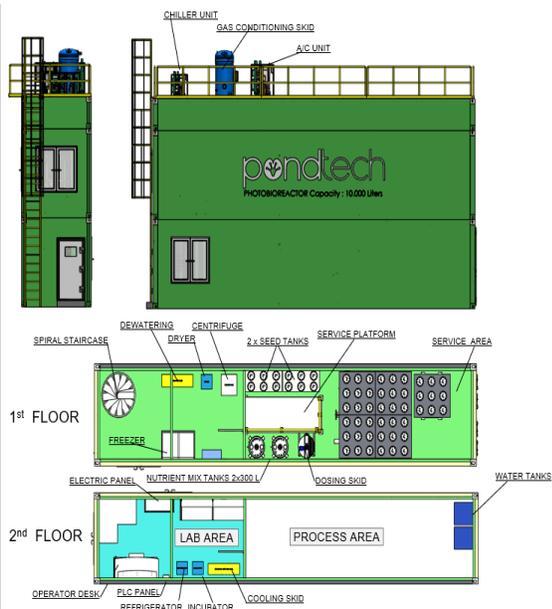
Pond's algae growth platform, based upon enclosed, controlled, and monitored photobioreactors, may provide a significant competitive advantage, and allow the Corporation to compete effectively on quality, consistency of supply, and price. Pond's strategy is to demonstrate its technological advantage, with its lighting, illumination, and power control technology (Pond's "light engine" technology) as the cornerstone, establishing a presence in the market, which will allow Pond to approach entrenched producers with a view toward licensing its technology.

Featured Products & Technology Developments

Investors, shareholders and ESG solution seeking companies and individuals regularly request more information and understanding of the products Pond's business have developed, as well as significant technology developments. To facilitate the ongoing information requests, Pond is introducing this new section in this quarter's MD&A to help with the understanding of the ever-evolving Pond technology.

New Products

- a) Modular and Scalable Containerized Photo-Bio Reactor Unit



The controlled and scalable unit package includes a laboratory, photobioreactor, controls and training and can be easily shipped anywhere in the world. This unit includes full capabilities to grow and harvest algae biomass and can serve as a 'proof-of-concept' for customers looking to transform their greenhouse gas emissions into valuable products or develop algae products for the market.

Since launching this product in October 2020, Pond has received unsolicited interest from the US, Japan, Vietnam, the UK and Germany.

b) Astaxanthin – Wet Extraction Process and Powder

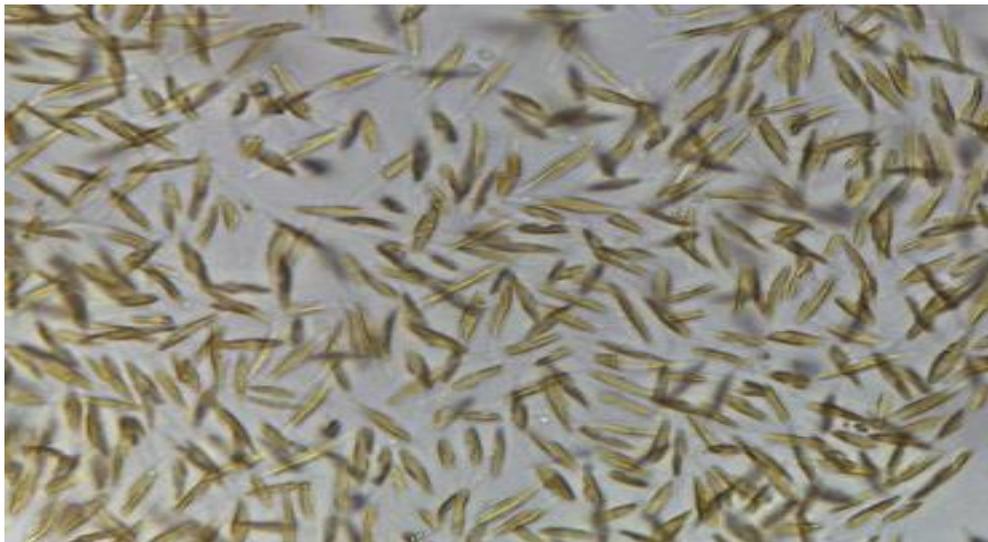


Pond Naturals' unique wet extraction process gently extracts astaxanthin oleoresin without the use of dehydration or harsh chemicals. The resulting oil contains astaxanthin along with all of the other beneficial algae oil components producing a full spectrum product and not just a fractionated oil that would be obtained from super critical CO2 extraction.

Pond Naturals is also now able to produce 1% and 2% astaxanthin cold water dispersible powders, which are sold as animal feed and used in powder based dietary supplement products.

c) *Technology Developments – Bio-Tech*

Pond has begun work with genetically modified algae strains that can produce valuable products including antigens, antibodies, or other therapeutic proteins. Initial scale-up of the growth of these genetically modified strains has demonstrated both gene stability and excellent gene expression. The species used so far is *Phaeodactylum tricornutum*, a species with a fully sequenced genome, known promoter genes, and known to engage in necessary post-translational modifications (e.g., glycosylation). A picture of the algae from one of our experiments is below.



Results to date indicate that Pond's algae growth platform can be used in biotechnology applications, and algae are a potential production system for diagnostic and therapeutic applications. In these applications, as compared to maintaining a human or mammalian cell line, algae along with Pond's technology platform should have significant competitive advantages in cost and scalability.

**Pond Technologies Holdings Inc.
Management's Discussion & Analysis
Three and Nine Months Ended September 30, 2020**

Overview of Financial Results

Selected Quarterly Information

The results of operations for the three and nine months ended September 30, 2020 as compared to the three months and nine months ended September 30, 2019 is as follows:

Selected Financial Information				
The following table is a summary of the Corporation's results from operations:				
For the periods ended September 30 (CDN \$000's)	3 Months Ended Sept 30		Nine Months Ended Sept 30	
	2020	2019	2020	2019
Revenue from continued operations	1,275	1,723	3,792	4,938
Direct costs and expenses	(1,109)	(1,428)	(3,173)	(4,048)
Operating expenses	(299)	(568)	(1,068)	(1,714)
General and administrative expenses	(216)	(418)	(839)	(1,543)
Amortization and depletion	(97)	(206)	(411)	(650)
Impairment of capital asset	(2,325)	(812)	(2,325)	(812)
Stock-based compensation	(12)	(59)	(234)	(208)
Operating (loss) for the period	(2,783)	(1,768)	(4,258)	(4,037)
Finance expenses	(221)	(114)	(593)	(351)
Interest income	-	1	1	8
Net (loss) from continuing operations for the period	(3,004)	(1,881)	(4,850)	(4,380)
Basic (loss) per share common share continuing operations\$(1)	(0.03)	(0.08)	(0.21)	(0.20)
Diluted (loss) per common share continuing operations \$(1)	(0.03)	(0.06)	(0.16)	(0.16)
Total assets	6,567	13,584	6,567	13,584
Total current liabilities	5,356	2,807	5,356	2,807
Total non-current liabilities	2,031	3,094	2,031	3,094

Note:

- (1) Basic loss per share is calculated by dividing the net loss by the weighted average number of shares in issue and outstanding during the quarter. The dilutive loss per common share is calculated by dividing the net loss by the weighted average number of shares issued and outstanding and the shares to be issued from the acquisition of Regenurex and directors Deferred Share Units. The potential effect of exercising stock options and warrants, as applicable, have not been included in the calculation of loss per share because to do so would be anti-dilutive.

Discussion of Operations

A. Profit and loss for the three months ended September 30, 2020 and 2019

The Corporation reported a net loss of \$3,004 (2019: loss of \$1,881). The net loss, excluding the capital asset impairment charge was \$679 (2019: loss of \$1,069). The \$390 (36%) decrease in net loss as compared to Q3 2019 was principally due to the following:

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1) *Trading Revenue* - Decreased by of \$448

Revenue changes for Q3, by business segment is as follows:

- Oil & conventional natural gas – decrease of \$371 due to the suspension of production on April 14, 2020;
- Nutraceutical products - decrease of \$49 (4% decrease). This was primarily due to a strengthening Canadian dollar and a temporary slow-down from COVID-19; and
- Technology services – Decrease of \$28. The majority of the decrease related to a decrease in revenues arising from the Stelco Algae project where activities have been reduced significantly pending project financing.

2) *Direct costs and expenses* – Decreased by \$319

The changes by business segment is as follows:

- Oil & Conventional Natural Gas – Decrease of \$310 due to the suspension in production in April 2020;
- Nutraceutical products - Increase in direct costs of \$14; and
- Technology services – Decrease in direct costs of \$18. The majority of the decrease related to a decrease in direct cost related to the Stelco Algae project where activities were reduced substantially in 2020 pending project financing.

The consolidated group Q3 2020 net trading margin (revenue less direct costs and expenses) decreased to \$166 (2019: \$295) a decrease of \$129 primarily due to lost margin from oil and conventional natural gas.

3) *Operating, general and administrative expenses, stock-based compensation and amortization*

a. Decrease in operating expenses of \$269 primarily due to:

- Technology operating expenses decreases were due to the focus on fewer activities, staff reductions and recoveries from the government wage subsidy program; and
- Nutraceutical products operating expenses decreases due to staff reductions.

b. Decrease in general and administrative expenses of \$202 primarily due to:

- Reduced use of third-party consultants, advisors, marketing activities and shareholder relations activities arising from the refocusing of the Corporation's business.

c. Stock-based compensation - Decrease of \$47

- The deferred share unit portion of the stock-based compensation for director compensation, was reduced by \$35 as directors surrendered previously reserved units to recognize as adoption of a new conversion pricing floor. The balance of the decrease related to share options and vesting periods.

d. Amortization and depletion – Decrease \$107

- Decrease of \$107 related primarily to a decrease in oil and conventional gas production arising from the shut-down of operations.

4) Finance expenses and interest income – Increase \$106

- Increase in finance expenses of \$106 is primarily a result of the issuance of a convertible debenture in November 2019 and the additional interest and interest accretion arising from the convertible debenture.

B. Profit and loss for the nine months ended September 30, 2020 and September 30, 2019

The Corporation reported a net loss of \$4,850 (2019: loss of \$4,380). The net loss excluding the capital asset impairment charge was \$2,325 (2019: loss of \$3,568). The \$1,243 (35%) reduction in net loss (excluding capital asset impairment charge) as compared to the nine months ended September 30, 2019 was principally due to the following:

1) *Trading Revenue* decrease by of \$1,146

- A \$844 decrease in oil and gas revenue due to the suspension of production in Q1 2020. A decrease of \$833 in revenue from the sale and installation of an algae bioreactor to Stelco Algae Holdings Inc. in 2019 which is on hold in 2020;
- These above decreases were off-set by an increase of \$431 (16%) in nutraceutical product revenue;
- Decrease in direct costs and expenses of \$875 related primarily to the net decrease in revenue as noted above.

The Q1 to Q3 2020 net trading margin (revenue less direct costs and expenses) amount was \$619 (2019: \$890) a decrease of \$271 was primarily due to the suspension of production at Pond's oil and gas property, reduced activity on the Stelco Algae project which was off-set by increases in the nutraceutical products business.

2) *Operating, general and administrative expenses, stock-based compensation and amortization*

a) Decrease in operating expenses of \$646

- The decrease is primarily due to reductions in staff and staff salaries, government wage subsidy programs and reductions in ongoing operating expenditures.

b) Decrease in general and administrative expenses of \$704

- The decrease is primarily due to reductions in the use of consultants, legal and other professional fees and cut-backs in general and administration expenditures to better focus the Corporation's business.

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c) *Decrease in amortization and depletion expense of \$239*

- The decrease primarily relates to a reduction depletion expense due to the shut down of the oil and gas property.

d) *Stock based compensation increase of \$26*

- The increase in stock based compensation related to the granting of 870 share options in 2020 a 5 year term, which vested immediately whereas the costs for 2019 related to the vesting of prior year grants.

3) *Finance expenses and interest income the increase of \$242*

- The increase was primarily attributable to convertible debenture interest which was issued in November 2019. The convertible debenture interest was offset by interest benefits arising from the fair value adjustment of a new loan and a loan modification.

4) *Decrease in interest income of \$6 arising from a decrease in cash deposits in 2020.*

Pembina

The Corporation has a 15.625% working interest in 2 production wells located in the Pembina area of West Central Alberta. These wells are located at 09-05-050-06 W5M (9-5) and 3/14-05-50-06 W5M (14-5). These wells produce from a Devonian age Nisku Pool ("L2L Pool") and are connected at the 07-05-050-06 W5M (7-5) satellite. Oil and solution gas from the L2L Pool flow from the 7-5 satellite to the Sinopec Daylight Energy Limited ("**Sinopec**") 13-2-50-06 W5M (13-2) Battery via a Sinopec owned pipeline. The gas production from the L2L Pool has a hydrogen sulfide (H₂S) content of approximately 20%. The sweet oil is separated from the gas and is pipelined to a Pembina Pipelines' oil sales point at 15-15-49-06 W5M. The remaining sour gas must then be pipelined to the Sinopec battery and then compressed and transported via pipeline to the Keyera Minnehik-Buck Lake gas plant ("MBL"), where the sulphur is extracted and the remaining sweet gas can be sold to market.

Due to safety regulations related to the high H₂S content and limitations to the various existing pipelines in place to transport the sour gas, sweet gas must be purchased and blended into the produced gas stream to reduce the H₂S content to meet various pipeline specifications. The purchase and processing of this blending gas is a required operating expense in order to handle the eventual sale of the solution gas produced from the L2L pool.

The L2L pool has an enhanced recovery scheme for water injection to maximize oil recovery. A voidage replacement rate (VRR) of 1.0 must be maintained to ensure proper reservoir pressure whereby the same volume of production is replaced with water. In addition to the 2 producing wells, the Company has a 15.625% working interest in a water injection well at 2/10-05-50 W5M (10-5) that currently supports water injection for the 9-5 and 14-5 wells. Typical of a waterflood, with water injected into the reservoir, the percentage of water produced with the oil will increase over time.

In response to weakening oil prices and the reluctance of third-party operators in the area to reduce processing/transportation fees in response to the current environment, on April 14, 2020 the operator of the Nisku Pool ("**L2L Pool**") shut-in production from the Pembina wells because continued production is uneconomic under the current commodity price environment.

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Subsequent to the shut-in of the Pembina well, the Keyera Minnehik-Buck Lake ("MBL") gas plant which processed and provided the 20% H₂S sour gas solution for oil produced from the Pool, has been permanently shut-in. The closing of the MBL gas plant has stranded the Pool as there is no current method to handle the sour gas produced with the oil from the Pool. If the oil wells are not producing within eighteen months, they will need to be suspended and eventually zonally abandoned due to their very sour H₂S rating as directed by the Alberta Energy Regulator ("AER") Directive 13.

This situation has rendered the Pool with no foreseeable future cash flow, until a new gas re-injection solution can be found in the immediate area and the reserves have been be downgraded in 2020 from Proven Developed Producing to Proven Developed Non-Producing. The Corporation made a full capital cost provision of \$2,325 against the Pembina property interest.

Financial and Operating Review of Petroleum and Natural Gas Operations

Quarterly Financial Information

(\$ per thousands except per unit data)	2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2
Volumes						
Oil & NGLs (bbl/d)		14	94	80	66	76
Natural gas (mcf/d)		11	73	58	50	72
Total (boe/d)		16	107	90	74	88
Revenues		19	406	462	371	456
Royalties		11	167	189	155	182
Operating Costs	9	63	204	145	168	151
Operating Netback	(9)	(38.35)	3.60	15.60	7.16	15.29

Summary of Quarterly Results

Financial results (\$000's except shares)	Year ended 2020			Year ended 2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue from operations	1,275	1,049	1,468	1,198	1,723	1,226	1,989	728
Earnings / (loss) from operations	(2,783)	(615)	(861)	(4,876)	(1,768)	(1,330)	(944)	(1,510)
Net earnings / (loss)	(3,004)	(775)	(1,072)	(4,709)	(1,881)	(1,454)	(1,053)	(1,701)
Earnings / (loss) per share from operations	(0.10)	(0.03)	(0.04)	(0.22)	(0.08)	(0.07)	(0.05)	(0.09)
Net earnings / (loss) per share (1)	(0.10)	(0.03)	(0.05)	(0.22)	(0.08)	(0.07)	(0.05)	(0.09)
Cash from / (used in) provided by operating activities	(362)	(464)	(664)	(593)	(776)	(959)	(1,899)	(2,113)
Capital expenditures & patents	(30)	(19)	(26)	(118)	-	(2)	(55)	(15)
Cash and cash equivalents net of short-term liabilities	(5,133)	(4,338)	(1,429)	(1,420)	(2,618)	571	(3,351)	(874)

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Note:

(1) Basic loss per share is calculated by dividing the net loss by the weighted average number of shares in issue and outstanding during the quarter. The dilutive loss per common share is calculated by dividing the net loss by the weighted average number of share issued and outstanding and the shares to be issued for the acquisition of Regenurex. The potential effect of exercising stock options and warrants, as applicable, have not been included in the calculation of loss per share because to do so would be anti-dilutive.

The Corporation's revenue of \$1,275 (2019: 1,723) for the three months ended September 30, 2020 arose from the Corporation's three business segments. The revenue for each business segment for the three months ended September 30, 2020 - 1) nutraceutical products \$1,184 (2019: 1,233); 2) technology services \$92 (2019: \$118); and 3) oil and conventional natural gas \$Nil (2019: 371). The overall \$448 decrease in revenue in Q3 2020 is primarily due to the decrease in the Stelco Algae revenue activities and the ceasing of oil and gas production.

The Corporation's revenue of \$3,792 (2019: \$4,938) for the nine months ended September 30, 2020 arose from the Corporation's three business segments. The revenue for each business segment for the nine months ended September 30, 2020 was 1) nutraceutical products \$3,077 (2019: \$2,645); 2) technology services \$290 (2019: \$1,023); and 3) oil and conventional natural gas \$425 (2019: 1,269). The overall \$1,146 decrease in revenue during the nine months ended September 30, 2020 is primarily due to the Q2 ceasing of production in the oil and conventional gas and reduced Stelco Algae revenue activities in 2020 as compared to 2019.

The Corporation's quarterly losses from operations fluctuate primarily by the amount nutraceutical revenue, percentage of completion of third party technology project work, production of oil and gas, the amount of development work undertaken, the amount of government grants earned which are offset against the development costs incurred in a quarter and consultant and advisors used.

There was a \$1,015 increase in the loss from operations for the three months ended September 30, 2020, compared to the three months ended September 30, 2019 of which \$1,513 (\$2,325 less \$812) related to a capital loss impairment charge made against Pembina and this was off-set by cost reductions. There was a \$463 increase in the loss from operations for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019

Net cash used in operations of \$1,498 (2019: \$3,635) during the 9 months ended September 30, 2020 is a result of:

- Receipts from customers of \$3,530 (2019: \$3,799);
- Less payments to suppliers and employees of \$4,742 (2019: \$6,877);
- Less interest payments of \$245 (2019: \$246);
- Less net cash from a contract receivable of \$42 (2019: \$320); and
- Plus interest received of \$1 (2019: \$9).

Liquidity and Capital Resources

For the three months ended September 30, 2020 the cash balance decreased by \$402. This was a result of net cash used in operations of \$362, cash outflows of \$30 in investing activities and \$10 net cash outflow on financing activities.

Pond has a working capital deficiency and will need to raise further funds through the issuance of shares in the near term. The Corporation is considering a further private placement offering of approximate \$600 in Q4. The funds from this offering will be required to meet working capital, capital commitments and debt

servicing needs in the near term. The Corporation is also seeking debt financing to replace the CW loan debt due on June 30, 2021.

Commitments and Contingencies

Loans Payable

As at September 30, 2020, \$2,934 of the Corporation's loan obligations were current and due within one year (2019: \$446) and \$45 are non-current (2019: \$2,843). \$2,843 of the September 30, 2020 current loan debt balance relates to the CW loan which matures on June 30, 2021. \$144 of the Corporation's loan obligations relate to the FedDev loan and \$20 are for loans that were assumed at the time of the acquisition of Regenurex and \$21 relates to a new loan acquired by Pond Naturals during Q2 2020.

The loan obligations to CW are secured over all the assets, undertaking and property of Pond Technologies Inc. The Regenurex, Pond Naturals and FedDev loans are unsecured.

Promissory Note - Convertible Debenture

As at September 30, 2020 the Corporation's promissory note obligation balance to Georgian Villas Inc. ("GV") was \$1,989. The debenture matures on November 15, 2021, bears interest at 12% per annum, payable quarterly. The promissory note is convertible, at the option of GV, into common shares of Pond after the first anniversary date of the promissory note at a conversion price of \$1.00 per share, and is secured by a first priority interest over all of the Corporation's present and after-acquired property and assets, excluding any equity interest from time to time held by the Corporation other than equity interest in Pond Naturals. As consideration for agreeing to provide the loan, GV also received a cash fee equal to 4% (\$80) of the principal amount of the loan.

On the issue of the convertible note, the fair value of the liability component was determined to be \$1,664 for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortized cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognized as a finance cost as interest accretion.

Leases

The Corporation has entered into two premise leases with total minimum annual payments outstanding as at September 30, 2020 of \$130 (2019: \$81).

Contingencies

The Corporation is contingently liable with respect to litigation claims and environmental matters that may arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Corporation. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

Litigation

Concurrent with the closing of the Corporation's reverse take-over business combination with Pond Technologies Inc., the Corporation assigned all its rights and interest in all claims made by the Corporation in the existing litigation with Sinopec to Grizzly Resources Inc ("Grizzly"). Grizzly assumed the rights and interest and indemnified the Corporation from and against all of the Corporation's liabilities in respect of the claim made by Sinopec in the Sinopec litigation and all future costs associated therewith.

Outstanding Share Data

As at the date of this MD&A the Corporation had the following number of common shares, exchangeable reserve shares and issuable shares outstanding:

Securities	
Common shares	29,526,598
Exchangeable reserve shares	4,701,866
Issuable under share options	1,867,500
Issuable under deferred share units plan to directors	817,314
Total Securities	36,913,278

As at September 30, 2020 the Corporation has 29,526,598 common shares outstanding. In addition, Regenurex shareholders are entitled to receive up to 4,701,866 of the Corporation's shares in exchange for their currently held Pond Naturals preference shares, by August 1, 2022. The Corporation has 1,792,500 stock options all of which are exercisable at a weighted average price of \$1.20 per share.

Warrants and Agent Warrants issued in the Corporation's non-brokered private placements and brokered private placements are presented as contributed surplus equity on the statement of financial position.

As at September 30, 2020, 11,411,783 warrants and 99,347 Agent Warrants were outstanding (2019 – 7,411,783 and 343,422), with an average exercise price of \$1.51 and \$0.34 respectively, and an average estimated life of 1.2 and 1.5 years respectively.

As at September 30, 2020 there were 817,314 shares reserved for issuance on settlement of DSUs (Dec 31, 2019: 484,941). The 817,314 shares reserved for issuance on settlement of DSUs, exceeds the current 500,000 amount permitted under Pond's DSU Plan. Accordingly, Pond will be seeking applicable shareholder and TSXV approvals to ratify an increase to 1,500,000.

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

Related Party Transactions

The Corporation enters into related transactions with management and agreements with its shareholders. Details of these transactions for the three and nine months ended September 30, 2020 and 2019 and balances are as follows:

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	3 Months Sept. 30,		9 Months Sept. 30,	
	2020	2019	2020	2019
<u>Transactions:</u>				
Loan interest to shareholders CW and GV	\$ 195	\$ 68	\$ 573	\$ 275
Legal services rendered to the Company	24	2	98	77
Pembina property management fee	9	23	27	68
<u>Balances</u>				
Loan payable to CW	2,843	2,900	2,843	2,900
Debenture to GV	\$ 1,737	\$ -	\$ 1,737	\$ -

The loans payable and interest amounts relate to loan amounts advanced by CW who are shareholders of the Corporation and the convertible promissory note issued to Georgian Villas Inc. an entity controlled by Pond's director Mr. Robert McLeese. Cam Mingay became the Chairman and director of Pond in 2020 and he is a partner in Cassels Brock & Blackwell LLP which renders legal services to the Corporation. The Pembina property management fee was reduced from \$7.5 to \$3 in 2020. One of the Corporation's directors is a director of Grizzly Resources Inc. The management agreement will be terminated when the property is sold.

Key Management Compensation

Key management includes key executive management and the Corporation's Board of Directors. The Corporation provides a benefit plan and other allowances to executive officers. In addition, key executive officers are granted stock options at the discretion of the Board of Directors and directors may elect to receive a portion of their compensation in deferred share units.

Key management compensation for the three and nine months ended September 30th is comprised of:

Three and nine months ended September 30,	Three months		Nine months	
	2020	2019	2020	2019
Stock based compensation	\$ -	\$ 59	\$ 51	\$ 208
Director and committee fees - cash and DSU	46	46	164	145
Salaries and benefits	\$ 96	\$ 151	\$ 288	\$ 454

Recent Developments

Crystal Wealth Management System Ltd. ("CW" or "Crystal Wealth")

On February 19, 2016, Pond entered into a secured loan agreement with CW with a maximum credit amounting to \$4,500 bearing interest at 12% per annum. The loan is secured by a general security agreement with a first charge on the assets of Pond Technologies Inc. (a wholly owned subsidiary of Pond) and a specific assignment of rights in all patents of Pond Technologies Inc.

On August 11, 2017, the loan was amended to, among other things, reduce the interest rate to 8% per annum, extend the maturity date to June 30, 2019 (which was further amended to June 30, 2021), and include a deferral of quarterly interest payable of 4%.

The Company paid \$1,000 on January 30, 2018, and \$600 on June 28, 2019 to CW to reduce the principal balance from \$4,500 to \$2,900.

In addition, amendments to the loan provide that once the aggregate of the proceeds of any financing transaction and the proceeds of any sale transaction of the oil and conventional natural gas asset is equal to or greater than \$2,500, 20% of the net proceeds received by the Company are to be paid to CW within three days of the date that such proceeds are received. Should the Company enter into one or more financing transactions pursuant to which a sum equal to or greater than \$2,500 is to be paid to the Company in separate tranches, the Company shall pay to CW 20% of each tranche within three days of receipt. If the aggregate of the proceeds of any financing transactions and the sale of the oil and conventional natural gas asset are equal to or exceed \$10,000 Pond will be required to repay the indebtedness in full including all principal, interest and other fees which may be outstanding at the time.

On March 31, 2020 the Corporation signed an amendment to its loan agreement with Crystal Wealth to defer \$57 of interest due on March 31, 2020 until the earlier of June 30, 2020 or the completion of a new share offering. The interest due on June 30, and September 30, 2020 was paid in full.

Markham MOU

Markham District Energy and Pond entered into a memorandum of understanding (the "Markham MOU") on June 16, 2017 to establish the framework for collaboration on a project to evaluate the potential environmental benefits and revenue streams from combining Markham District's emissions technology and Pond's algae growing platform. The Markham MOU contemplates the first phase of the project to include (i) the testing of MDE emissions for growth of different algae species, (ii) investigation of the market opportunity for offtakes of the selected algae species and quantity, and (iii) modeling of capital and operational expenses to finalize the business case for application of Pond technology. The original term of the MDE MOU expired on June 30, 2018, and the term was extended. At the present time MDE and Pond are negotiating the definitive agreement, and each party shall bear its own costs incurred until a definitive project agreement is signed and comes into effect.

A Collaborative Study Agreement was signed with MDE. on February 19, 2018. The purpose of the agreement is to conduct preliminary design and engineering and cost estimates and perform on-site gas and algae growth testing for the project. The project is a greenhouse gas abatement facility to be located at MDE's Warden Energy Centre using Pond's algal growing technology to grow high-value algae products.

On May 2, 2019, the Corporation signed an Energy Services Lease Agreement ("Agreement") with MDE for the construction of a 8,000 square foot building to house an algae production facility at the MDE site. The Corporation must provide evidence, satisfactory to MDE, of Pond's ability to finance the construction and completion of the project as condition precedent before the Agreement can take effect. Pond has commenced design and engineering work for the construction of nutraceutical bioreactors for the MDE site. MDE received building site plan approval from the City of Markham on July 31, 2019.

On October 30, 2019 the Corporation signed a letter extending the conditions precedent relating to Pond's ability to finance the construction of the Building, the Building Works and complete the Project as contemplated, to February 5, 2020. Subsequent letters of extension have extended the conditions precedent to May 2, 2021. The Corporation continues to seek project financing requiring the construction of a Building at MDE.

Trading Symbols

The Corporation's trading symbol was changed from "IOG" to "POND" upon issuance by the TSXV of its final bulletin in respect of the Transaction, which occurred on February 6, 2018.

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On January 29, 2020 the Financial Industry Regulatory Authority approved the change in the Corporation's stock symbol on the OTC market. The Corporation's common shares began trading on the OTC market under the symbol "PHNDF". The previous trading symbol was "LOGIF".

Directors

On January 8, 2020 Ms. Geraldine Kenney-Wallace resigned from the Corporation's Board of Directors and Cameron A. Mingay was appointed to the Board of Directors.

On February 18, 2020 the Corporation appointed Mr. Cameron A. Mingay as Chairman of the Board and Mr. Gerald Quinn, Pond's former Chairman, remained on the Board as a director.

On April 15, 2020 the Corporation appointed Mr. Grant Smith to the Corporation's Board of Directors and as its Chief Executive Officer. Mr. Smith succeeds Steven Martin, who resigned his Board position and has retired from his position as Chief Executive Officer and remains as Pond's Technical Advisor.

On May 12, 2020 the Corporation appointed Mr. Jacob Gamble to the Corporation's Board of Directors.

On November 2, 2020 the Corporation appointed Mr. Anthony Giovinazzo to the Corporation's Board of Directors. Mr. Cameron Mingay resigned from his director's position and as Chairman of the Board and Mr. Robert McLeese assumed the role of Pond's Chairman of the Board.

Extension of warrants

On January 4, 2019 the Corporation received approval from the TSXV to extend the expiry dates of five tranches of warrants.

The first tranche includes warrants exercisable to purchase 335,000 common shares of Pond at \$2.50 per share, with an original expiry date of December 21, 2018; the second tranche includes warrants exercisable to purchase 450,000 common shares of Pond at \$2.50 per share, with an original expiry date of February 23, 2019; the third tranche includes warrants exercisable to purchase 240,000 common shares of Pond at \$2.50 per share, with an original expiry date of September 21, 2019; The fourth tranche includes warrants exercisable to purchase 1,000,000 common shares of Pond at \$3.00 per share, with an original expiry date of December 28, 2019; and the fifth tranche includes warrants exercisable to purchase 2,644 common shares of Pond at \$3.00 per share, with an original expiry date of January 30, 2020.

The expiry date of all five tranches of warrants has been extended to January 30, 2021. All other terms and conditions of each tranche of the warrants remain unchanged.

Acquisition of Regenurex Health Corporation

On January 30, 2019, the Corporation closed its acquisition of Regenurex. The acquisition was affected by way of a three-cornered amalgamation, under the provisions of the *Business Corporations Act* (British Columbia), pursuant to an Amalgamation Agreement. At closing, Regenurex and Pond Naturals Inc. amalgamated, with the resulting entity continuing to conduct Regenurex' s operations under the name "Pond Naturals Inc."

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As consideration for their Regenurex shares, Regenurex shareholders will receive up to 6,250,000 Pond shares with such Pond shares valued by the parties, at the time of entering into the Amalgamation Agreement, at \$0.80 per share, or \$5,000 in the aggregate. The below summarizes the manner in which such Pond Shares shall be issued:

- Upon amalgamation, former holders of the Class A preferred shares of Regenurex received 3,539,198 non-voting senior preferred shares of Pond Naturals Inc. The senior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 2,212,998 Pond shares.
- Upon amalgamation, former holders of the common shares of Regenurex received 18,219,200 non-voting junior preferred shares of Pond Naturals. The junior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 4,038,002 Pond shares.

In connection with closing of the transaction, all of the outstanding stock options and warrants of Regenurex were cancelled or exchanged for Regenurex common shares (and then subsequently exchanged for junior preferred shares of Pond Naturals Inc. pursuant to the amalgamation). In addition, at closing the Corporation capitalized Pond Naturals Inc., by way of equity subscription, with \$275 (in addition to \$225 previously paid by the Corporation to Regenurex in respect of astaxanthin pre-orders made prior to closing) in order to assist Pond Naturals Inc. in pursuing its business objectives.

Non-Brokered private placement (June 2019)

On June 11 and 14, 2019, the Corporation issued a total of 2,742,504 units for total consideration of \$2,057. One unit comprised of one common share and one warrant. The warrants may be exercised for one additional common share at a price of \$1.00 per common share on the earlier of 30 days after the holder of the warrant receives notice from the Corporation that the Corporation's shares had traded at \$1.25 for at least 10 consecutive days or 2 years from date of issuance. A further 51 warrants were issued to brokers on the same terms and conditions as the warrant portion of the unit.

Convertible Promissory Note (November 2019)

On November 21, 2019, the Corporation issued a secured convertible promissory note to Georgian Villas Inc. ("GV" or "Georgian Villas"), an entity controlled by one of Pond's directors, Mr. Robert McLeese, with respect to a \$2,000 loan provided by GV. The promissory note matures on November 15, 2021 and bears interest at 12% per annum, payable quarterly. The promissory note is convertible, at the option of GV, into common shares of Pond after the first anniversary date of the promissory note at a conversion price of \$1.00 per share, and is secured by a first priority interest over all of Pond Technologies Holdings Inc. present and after-acquired property and assets, excluding any equity interest from time to time held by the Corporation other than equity interest in Pond Naturals. As consideration for agreeing to provide the loan, Georgian Villas also received a cash fee equal to 4% (\$80) of the principal amount of the loan.

On June 17, 2020 GV converted \$57 of interest payable, to Pond shares at \$0.22 per share and on October 8, 2020 GV converted \$60 of interest payable to Pond shares at \$0.33.

Settlement of Debt

On January 24, 2020 the Corporation issued 167,783 common shares as settlement for \$79 of advisory fees owed to Cross Pond Ventures LLC ("Cross Pond"). The shares were issued at the TSXV closing trading price \$0.47 per share on January 23, 2020 and were approved by the TSXV on March 2, 2020.

On June 17, 2020 the Corporation issued an aggregate of 868,545 common shares as settlement for \$194 for amounts owed under the terms of the following settlement agreements: (1) Cross Pond - 386,902 shares as payment for \$85 of advisory fees owing under its Master Project Development Agreement with Pond, representing a deemed price per share of \$0.22; (2) Georgian Villas Inc. - 259,152 shares to satisfy \$57 of accrued interest on its \$2,000 principal amount secured convertible loan to Pond, representing a deemed price per share of \$0.22; (3) ExCap Advisors Inc. - 149,277 shares in satisfaction of \$35 of consulting fees owing, representing a deemed price per share of \$0.235; and (4) Steven Martin - 73,214 shares to satisfy \$17 owing pursuant to past services rendered to Pond, representing a deemed price per share of \$0.23.

October 8, 2020 / - The Corporation issued 181,761 shares to Georgian Villas Inc. to satisfy \$60 of accrued interest owing under its \$2,000 principal amount secured convertible loan to Pond, representing a deemed price per share of \$0.33.

Deferred Share Unit Plan

On February 20, 2020 Pond received TSXV acceptance of the Directors Deferred Share Unit Plan ("Plan"). The Plan was previously approved at Pond's Annual General and Special Meeting of shareholders. The number of shares reserved for issuance under the Plan at anytime shall not exceed 500,000 shares. As at September 30, 2020, 817,314 shares have been reserved for issuance on settlement of DSUs, which amount exceeds the 500,000 amount permitted under Pond's DSU Plan. Accordingly, Pond intends to seek applicable shareholder at its December 9, 2020 annual and special meeting of shareholders and TSXV approvals to ratify such an increase to 1,500,000.

European Licencing Agreement

On March 19, 2020 the Corporation signed a non-exclusive licensing agreement with London based Remediate (UK) Ltd. Under the terms of the licensing agreement, Remediate will have the non-exclusive right to use Pond's patents and know how in the countries and principalities of continental Europe as well as the United Kingdom. As consideration for granting the license, Pond shall be paid a fee to be agreed upon, on a case by case basis, related to the separate agreements to be entered into between Remediate and the end users. For the years commencing January 1, 2020 to December 31, 2021 the aggregate fee to be no less than \$500 and thereafter not less than \$2,000 per annum each year thereafter. Pond continues to work with Remediate on securing agreements to purchase plant orders and licenses.

Non-Brokered private placement (June 2020)

On June 25 and 29, 2020, the Corporation issued a total of 4,000,000 units for total consideration of \$1,000. Each unit was comprised of one (1) common share in the capital of Pond and one (1) common share purchase warrant of Pond, with each warrant entitling the holder thereof to purchase one (1) common share at a purchase price of \$0.25 and expiring on the date that is the earlier of: (i) 30 days after the date on which Pond gives notice to the holders of the warrants after the common shares have traded at a closing price of greater than \$1.00 per share for 20 consecutive trading days on the TSXV and (ii) the date that is two years

after the date that the warrant is issued. The common shares and warrants comprising the units are subject to a statutory hold period which will expire October 27, 2020 or October 30, 2020, depending on the tranche in which such securities were closed upon. A further 48,000 warrants were issued to finders on the same terms and conditions as the warrant portion of the unit.

Subsequent Events

On October 8, 2020 the Company issued 181,761 shares to satisfy \$60 of accrued interest owing under its \$2,000 principal amount secured convertible loan to Pond, representing a deemed price per share of \$0.33. Georgian Villas Inc. is an entity controlled by a director of Pond, Mr. Robert McLeese.

On November 2, 2020 the Corporation appointed Mr. Anthony Giovinazzo to the Corporation's Board of Directors. Mr. Cameron Mingay resigned from his director's position and as Chairman of the Board and Mr. Robert McLeese assumed the role of Pond's Chairman of the Board.

On November 18, 2020 the Corporation mailed the Notice of Annual and Special Meeting and Information Circular with respect to the Annual and Special Meeting of Shareholders to be held on December 9, 2020 at 10:00am Toronto time. The board of directors of the Corporation fixed the Record Date for the Meeting at the close of business on November 2, 2020. Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares.

Financial Instruments and Other Instruments

As at September 30, 2020 the Corporation had loans outstanding totaling \$3,029 (2019: \$2,936).

Crystal Wealth Loan

On February 19, 2016, Pond entered into a secured loan agreement with CW with a maximum credit amounting to \$4,500. The loan bears interest at the rate of 12% per annum, has no regularly scheduled repayment terms with and had an original maturity date of February 19, 2018. The loan is secured by a general security agreement with a first charge on Pond Technologies Inc. assets and a specific assignment of rights in all patents during the year.

On August 11, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms included a loan maturity extension to June 30, 2019, reduction of quarterly interest payable to 8%, deferral of quarterly interest payable of 4%, (a "First Interest Payment") due of \$581 payable on November 30, 2017 and a principal repayment of \$1,000 on December 31, 2017. The amendment also requires Pond to make principal loan repayments if it raises in excess of \$10,000 in financing during the term of the loan. In that event, the amount of the principal loan repayment will be 20% of the proceeds in excess of \$10,000.

On November 16, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms included an extension of the repayment to the First Interest Payment to December 21, 2017 and an extension fee of \$10.

On December 19, 2017, Pond signed a second amendment to its loan agreement with CW. The amended terms include an extension of the principal repayment of \$1,000 and the First Interest Payment to January 31, 2018 and an extension fee of \$10 payable in cash upon the execution of the loan amendment.

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On December 29, 2017, Pond made an early payment of the First Interest Payment of \$581 and the second interest payment of \$31.

On January 30, 2018 Pond paid \$1,000 to CW to reduce the principal loan balance from \$4,500 to \$3,500. On May 14, 2019, the Corporation signed an amendment to its \$3,500 loan agreement. The amendments included an extension of the loan maturity date from June 30, 2019 to June 30, 2021, an Early Redemption Incentive of a \$500 reduction on all outstanding principal if the loan and outstanding interest had been repaid in full by December 31, 2019 and no further changes to the existing interest terms. Pond made a principal repayment of \$600 on June 28, 2019 reducing the outstanding principal balance from \$3,500 to \$2,900. In addition, Pond will be required to make further principal repayments amounting to 20% of any financings and proceeds from the sale of its Pembina oil and gas property which in total exceed \$2,500. If the aggregate of the proceeds of any financing transactions and the sale of the Pembina asset are equal to or exceed \$10,000 Pond will be required to repay the indebtedness in full including all principal, interest and other fees which may be outstanding at the time.

On March 31, 2020 the Corporation signed an amendment to its loan agreement with Crystal Wealth to defer \$57 of interest due on March 31, 2020 until the earlier of June 30, 2020 or the completion of a new share offering. Interest due on June 30, 2020 and September 30, 2020 was paid in full.

FedDev Loan

Pursuant to the Federal Development Agency Agreement, Pond has received repayable loans from FedDev at a monthly rate of 33.33% of eligible costs as defined in the Federal Development Agency Agreement, subject to achievement of certain milestones. Under the initial terms of the loan agreement, the loan bears no interest and is repayable in 60 equal monthly installments with a loan balance of \$144 as at September 30, 2020. The FedDev loan was fair valued at inception and interest accretion for the imputed interest rate as a finance expense each year. On June 8, 2020, the FedDev loan was modified and the monthly principal repayments were extended to December 1, 2021 with nil principal monthly repayments from March 2020 to August 2020 and increased to \$10 per month thereafter for the remaining term of the loan. The loan remained interest free and the modification resulted in a gain of \$24.

Regenurex Loans

As a result of the Regenurex business combination on January 30, 2019 the Corporation assumed \$531 in loans. As at September 30, 2020 one unsecured promissory note in the amount of \$20 remained outstanding.

Georgian Villas Inc. – Convertible Note

On November 21, 2019, the Corporation issued a secured convertible debenture to Georgian Villas Inc. ("GV"), an entity controlled by one of Pond's directors, Mr. Robert McLeese with respect to a \$2,000 loan provided by GV. The debenture matures on November 15, 2021, bears interest at 12% per annum, payable quarterly. The debenture is convertible, at the option of the lender, into common shares of Pond after the first anniversary date of the Loan at a conversion price of \$1.00 per share, and is secured by a first priority interest over all of the Corporation's present and after-acquired property and assets, excluding any equity interests from time to time held by the Corporation other than equity interest in Pond Naturals Inc. As consideration for agreeing to provide the loan, GV also received a cash fee equal to 4% (\$80) of the principal amount of the loan.

On the issue of the convertible note the fair value of the liability component was determined to be \$1,664. The difference between the fair value of the debt portion and principal amount of proceeds at date of issue of \$336 is determined to be the fair value of the conversion option that is recognized and included in shareholders equity as a convertible note reserve.

Risk Factors

Many factors could cause the Corporation's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors.

1. The Corporation has yet to generate significant revenues from the licensing of its technology or sale of microalgal biomass products. Investments in research and development in the field of microalgal biomass production are necessary to develop the technology required to generate future revenues. While the Corporation is confident in its technology, it cannot know with complete certainty if or when any of its technologies will be commercialized;
2. The Corporation has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
3. There can be no assurance that the Corporation will be able to establish additional collaboration agreements on favourable terms, if at all, or that current or future collaborative arrangements will be successful;
4. The production of algae involves complex aquaculture systems with inherent risks including disease and contamination, and should the algae growth system fail to grow algae, or should the algae fail to consume the greenhouse gas introduced to the system, then the abatement will fail. While the Corporation has taken what it believes to be reasonable steps to mitigate risks associated with its processes, certain factors may arise beyond the Corporation's control, therefore, the Corporation cannot, and does not attempt to, provide any form of assurance with regard to its systems, processes, or cost-effectiveness;
5. The Corporation will be highly dependent upon consumer perception of the safety and quality of its greenhouse gas abatement technology and algae products and the ingredients they contain, as well as that of similar systems and products developed and distributed by other companies;
6. The Corporation may fail to manage growth effectively;
7. Much of the Corporation's strategy is based on the belief that the application of its proprietary photobioreactors and control systems to use carbon dioxide in the production of bio-products for the markets it is addressing may result in the creation of commercially viable products or technical applications; however, there can be no assurance that such beliefs will prove to be correct or that there will be market acceptance of technology developed by the Corporation;
8. The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control;
9. The Corporation's operations will depend on continuous improvements in technology to meet customer demands in respect of performance and cost, and to explore additional business

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opportunities;

10. Commercial success will depend in part on obtaining and maintaining patent, confidential know-how/trade secret and trade-mark protection of the Corporation's technologies in Canada, the United States and other jurisdictions, as well as successfully enforcing this intellectual property and defending this intellectual property against third-party challenges;
11. The Corporation may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
12. The Corporation may not be able to develop sufficient manufacturing capacity to meet demand in an economical manner or at all;
13. There is potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation;
14. The Corporation may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
15. The Corporation could fail to integrate subsidiaries and other interests into the business of the Corporation;
16. The Corporation's production costs will be dependent on the costs of the energy sources used to run its production facilities. These costs are subject to fluctuations and variations in different locations where the Corporation may operate, and it may not be able to predict or control these costs;
17. The activities of the Corporation are subject to regulation by governmental authorities;
18. The Corporation's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety;
19. The Corporation cannot be certain that it will be able to secure additional government grants or subsidies. Any existing grants or new grants that the Corporation may obtain may be terminated, modified or recovered by the granting governmental body under certain conditions;
20. The Corporation's ability to recruit and retain management, skilled labour and suppliers is crucial to the Corporation's success;
21. The Corporation has a limited operating history;
22. Completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;
23. Certain of the directors and officers of the Corporation are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies.
24. 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 any securities of the Corporation;

25. In the event that the Corporation issues convertible debt or equity securities to raise additional funds, its existing shareholders may experience dilution, and the new convertible debt or equity securities may have advantageous rights, preferences and privileges when compared to those of the Corporation's existing shareholders;
26. A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Corporation that could otherwise be beneficial to the Corporation's shareholders;
27. The Corporation does not anticipate paying any dividends on the common shares in the foreseeable future;
28. Oil and natural gas operations involve many risks that, even with a combination of experience, knowledge and careful evaluation, the Corporation may not be able to overcome;
29. Provincial programs related to the oil and natural gas industry may change in a manner that adversely impacts shareholders. The Corporation currently operates in Alberta and future amendments to royalty programs could result in a reduction of cash flows;
30. The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect to the Corporation or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations on the Corporation. Furthermore, management believes that the federal and Alberta governments appear to favour new programs for environmental laws and regulations, particularly in relation to the reduction of emissions, and there is no assurance that any such programs, laws or regulations, if proposed and enacted, will not contain emission reduction targets which the Corporation cannot meet; and
31. The Corporation is dependent on its workforce, distributors and project engineering service providers to sell and deliver its products and services. Developments such as social distancing and shelter-in-place directives related to the COVID-19 outbreak have impacted the Corporation's ability to deploy its workforce effectively. These same developments may affect the operations of the Corporation's suppliers as their own workforces and operations are disrupted by efforts to curtail the spread of this virus. The effectiveness of remote work environments and hosted services may also be constrained due to unprecedented levels of internet usage stemming from the COVID-19 outbreak. The Corporation's research and development activities may also be impacted by the COVID-19 outbreak as well as travel restrictions. While expected to be temporary, these disruptions may negatively impact the Corporation's sales, its results of operations, financial condition, and liquidity in 2020.

Critical Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are, and will continue to be, evaluated on an ongoing basis. However, actual results could differ significantly from these estimates.

Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the Corporation's financial statements. It is believed that there have been no significant changes in the critical accounting estimates for the periods presented in the financial statements:

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars. Pond Naturals distribution business, and some of the business of Regenurex transacts in US dollars which are translated to Canadian dollars using average foreign exchange rates during the quarter and quarter end rates for ending balances.

Asset impairment

Assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated. Numerous factors can be used to trigger an impairment review and significant estimates and assumptions could be used to determine if impairment exists. These could include estimates of future cash flows, interest and discount rates, etc. As at December 31, 2019 the Corporation recorded a \$2,490 impairment on the goodwill arising from the acquisition of Regenurex, a \$812 capital asset impairment charge against its working interest in its Pembina oil and gas property due to an estimated reduction in forward commodity prices and \$674 against the contract receivable balance owed by Stelco due to the uncertainty to secure future project financing for the Stelco project.

In Q3 the Corporation made a further capital asset impairment charge of \$2,325 against the Corporation's working interest in its Pembina oil and gas interest. The impairment charge taken was due to the closure of a down-stream gas plant which processed and provided the 20% H₂S sour gas solution for oil produced from the Pembina oil Pool. This situation has rendered the Pool with no foreseeable future cash flow, until a new gas re-injection solution can be found in the immediate area.

Research & development tax credits

The Corporation is entitled to government assistance in the form of research tax credit and grants. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Corporation has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Management monitors whether the recognition requirements for research and development tax credits receivable continue to be met. The Corporation has made estimates of the recoverable amounts but research and development tax credits must be examined and approved by the tax authorities and the amount allowed may be different from the amount recorded.

Non-IFRS Measures

The Management's Discussion and Analysis includes references to and uses measures and terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These measures and terms include working capital and net trading margin. These non-IFRS measures may not be comparable to similar measures presented by other companies.

Non-GAAP Measures – Oil and Gas Industry

This MD&A contains terms commonly used in the oil and gas industry, such as operating netbacks (“**netbacks**”). These terms are not defined by the financial measures used by the Corporation to prepare its financial statements and are referred to herein as “**non-GAAP measures**”. These non-GAAP measures should not be considered an alternative to, or more meaningful than, other measures of financial performance calculated in accordance with GAAP. Management believes that in addition to net earnings/(loss), netbacks is a useful financial measurement which assists in demonstrating the Corporation’s ability to make interest payments, fund capital expenditures necessary for future growth or repay debt. The non-GAAP measures presented may not be comparable to that reported by other companies.

Netback

The Corporation uses netback as a key performance indicator. Netback does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Netback is calculated by deducting royalties and operating expenses from petroleum and natural gas revenues.

BOE Conversion

In this document, certain natural gas volumes have been converted to barrels of oil equivalent (“**boe**”) on the basis of one barrel (“**bbl**”) to six thousand cubic feet (“**mcf**”), unless otherwise stated. A conversion ratio of one bbl to six mcf is based on an energy equivalent conversion applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

Changes in Accounting Policies

In January 2020, IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 – Presentation of Financial Statements. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. It clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Corporation is assessing the potential impact of these amendments.

Caution Regarding Forward-looking Statements

Certain statements in this MD&A that are not current or historical factual information may constitute “forward-looking” statements within the meaning of applicable securities laws, regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Corporation, including as they relate to its financial results and the ability to execute on its investing and business strategies. Inherent in these forward-looking statements are known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different

from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements can often be identified by the use of words such as “may”, “will”, “expect”, “believe”, “plan”, “intend”, “anticipate”, “estimate” and other similar terminology. These statements reflect current expectations regarding future events and performance and speak only as of the date of this MD&A.

Similarly, statements contained in, but not limited to, the sections titled “Outlook and Strategy”, “Featured Products & Technology Development”, “Liquidity and Capital Resources” and “Commitments and Contingencies” of this MD&A, including those with respect to the implementation of the Corporation’s business strategy, the development of the nutraceutical algae production, the development of the technology services business and expectations concerning the Corporation’s financial condition, results of operations, business, assets, prices, foreign exchange rates, earnings, market conditions, capital expenditures, risks, availability of regulatory approvals, corporate objectives and plans or goals, are or may be forward-looking statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this MD&A are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements.

Investors and others should carefully consider risk factors including, without limitation, those set out under the heading “Risk Factors”, and not place undue reliance on forward-looking statements. The Corporation anticipates that subsequent events and circumstances may cause the Corporation’s views to change. Forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise any forward-looking statements to reflect new events or circumstances, except as required by law.

Additional Information

Additional Information concerning the Corporation is available on SEDAR at www.sedar.com under the Corporation’s profile.