

**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, 2021**



**Dated November 16, 2021**

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, 2021, financial condition and future prospects. Except as otherwise noted, this MD&A is dated November 16, 2021, and should be read in conjunction with the audited consolidated annual financial statements of Pond Technologies Holdings Inc. for the years ended December 31, 2020 and 2019 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 "PNDHF." The Corporation's shares also trade on the FSE market under the trading symbol "400".

This MD&A is prepared as at November 16, 2021, 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](http://www.pondtech.com) or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

## **Description of Business**

The Corporation's primary business is to pursue microalgal biomass cultivation using available sources of carbon dioxide ("**CO<sub>2</sub>**"), including CO<sub>2</sub> 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 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 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 2021 Highlights**

Financial and continuing operations highlights for the three and nine months ended September 30, 2021:

#### *Group operating highlights*

- **Commercial Validation of Pond's Carbon and Biotech Technology** – Q3 was a turning point for Pond as it signed significant licensing and supply agreements to adopt and deploy its technology. The first was a technology access agreement signed with a North American Fortune 500 Company to collect up to \$1,000 in milestone payments to grow Covid-19 antigens. The second was with UK based Livalta, an AB Agri company, a subsidiary of Associated British Foods, for the world's first scalable production of algae from carbon emissions aimed to revolutionize protein in animal feed. The supply and licensing agreement with Livalta is valued at over \$5,000.
- **Q3 Revenue Increased by 70%** - Group revenue for Q3 2021 totaled \$2,163 (Q3 2020: \$1,275) an increase of \$888 (70%). The increase is primarily a result of licensing revenue recognized in the quarter. For the 9 months ended September 30, 2021, revenue increased by 30% \$4,364 (2020: \$3,367). Management anticipates as the Corporation progresses its commercialization efforts, and the nature of the contracts signed, revenue in its Carbon and Biotech divisions will significantly vary quarter to quarter as the Corporation works through its sales pipeline, and fulfills milestones related to signed contracts.
- **Improvement in Margin** – Q3 margin (revenue less direct costs and expenses) was \$903 (42%) vs \$175 (13%) in Q3 2020. For the nine months ended September 30, 2021, a margin \$1,335 (30%) vs \$648 (19%) was achieved. The improvement in margin is primarily attributable to licensing fees recognized in Q3.
- **Quarterly Decreases in Operating Loss in 2021** – The Q3 2021 operating loss of \$557 was lower than Q2 \$733 and Q1 \$1,003.

#### *Business operating segments*

- **Pond Carbon Revenue** – Q3 revenue of \$932 (2020: \$92) arose primarily from licensing fees. Consulting work related to algae growth studies and engineering support work for possible future commercial algae facilities continues. This work is key to Pond's sales cycle for the sale of larger scale projects.
- **Pond Biotech Revenue** – Biotech revenue is currently included with the Carbon technology amounts and reported under Technology Services segment reporting. Pond continues to grow modified algae that expresses protein to be used in a diagnostics and is scaling up production at its Markham plant to produce commercial quantities.
- **Nutraceutical Products Revenue** – Q3 revenues for Pond Naturals of \$1,231 (2020: \$1,183) was \$48 (4%) higher as compared to Q3 2020. The majority of Nutraceutical sales are in US\$ and the strengthening Canadian dollar had an impact on revenue in the quarter. During the quarter Pond

Naturals experienced supply price increases which Pond is now passing onto its customers where possible.

## **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 diagnostics and therapeutic treatments.

Pond is recognized as a world leader in the development of its proprietary 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 ready 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 as adoption of its technology by industry is achieved. Pond signed two significant commercial sales of its bio-reactor technology and continues to expand the application of its technology including the recent developments. Pond is in discussions with industrial stack emitters and commercial feed and ingredient producers and processors to adopt its technology to grow microalgae. 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 is based upon enclosed, controlled, and monitored photobioreactors and 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 sensor control technology and its working know how as the cornerstone, establishing a presence in the market, which will allow Pond to approach producers with a view toward adopting and licensing its technology.

## **Technology Developments**

Investors, shareholders and ESG solution seeking companies and individuals regularly request information to better understand Pond's various businesses, developed products, as well as significant technology developments. This section of the MD&A has been established to help with the understanding of a few of the ever-evolving algae growth platform technology developments and opportunities.

### *Technology Developments*

#### *Pond Carbon*

Pond Carbon is at the heart of the Corporation's algae growth platform technology. Pond Carbon is engaged in the ongoing research, development and the sale of its algae growth technology. Pond Carbon also holds the technology patents and issues technology access licenses as well as providing consulting services for project development.

On September 7, 2021, Pond Carbon signed a licensing agreement and an engineering, procurement and construction agreement with a combined value over \$5,000. The agreements were signed with AB Agri Limited a subsidiary of Associated British Foods (LSE:ABF) and the key terms of the agreements are:

- Pond Technology Holdings have agreed an exclusive global partnership to grow algae-based animal feed from CO2 emissions
- The engagement consists of two parts: a supply agreement, where AB Agri will purchase an algae demonstration system from Pond to be installed in the UK for the sum of approximately \$2.8 million and a license agreement, where Pond will receive up to \$2.6 million in technology access fees and an ongoing royalty based on the production from commercial algae plants deployed in the future
- The demonstration system will be used to grow algae strains for animal feed trials and the development of commercial animal feeds which will be sold by AB Agri.
- Livalta's pilot plant to open at British Sugar's Wissington site in Norfolk in 2022

Additional research and development effort has been spent internally on the production of Spirulina and the extraction of phycocyanin at commercial scale. Pond continues to develop commercial plans and partnerships for Spirulina production for the animal feed market and for spirulina production and phycocyanin extraction in the natural food colorants market in the next few quarters.

Pond has been engaged through our licensee, Remediate, to complete preliminary engineering work for the installation of a commercial facility in the UK with SIMEC Atlantis, hosted by the 220 MW Uskmouth power station. This study was completed in this quarter, and SIMEC will be evaluating options for a complete FEED study and commercial deployment in the UK in 2022.

On June 17, 2021, Pond entered into a Letter of Intent with CSV Midstream Solutions Inc. ("CSV"). Under the Letter of Intent, CSV and Pond will explore applications of our carbon capture and utilization technology at CSV operating locations. The first step is a front engineering and design study, which Pond and CSV began in Q3 2021. Pond will be paid \$75 by CSV for this work.

#### *Pond BioTech*

On August 10, 2021, Pond entered into a Scale Up and Technology Access Agreement with a North American Fortune 500 Company. Under the terms of the agreement, Pond will collect up to \$1,000 as a technology access fee to begin production of algae that contain certain antigens related to SARs-COV-2, the virus that causes COVID-19, and that can be used in rapid diagnostic tests.

In Q3, Pond BioTech began working the genetically modified algae strain that produces the antigens, Pond's proprietary growth technology and bioreactors have successfully grown the modified algae, and

Pond has begun delivering algae biomass to our project partners for extraction. Pond believes that it has a cost effective and scalability advantage to produce these valuable products with algae, as compared to mammalian cells production.

*Pond Naturals – Regenurex*

Regenurex has reached a major milestone in the transformation of the pilot facility, efforts towards modifying the processing area, the development of a quality management system and the associated staff training has led to a successful GMP certification. Astaxanthin production trials have shown that we can almost double Astaxanthin production in our Agassiz pilot facility from 3.7 to 7 Kg/month through modest improvements to our 7,000L photobioreator ("PBR"). These improvements include increased aeration, higher initial cellular density and feeding based on a higher initial density. Starting density in the red stage significantly impacts our harvested biomass, this increased density means each individual cell receives less of a stress signal from our lighting. Preliminary testing of more targeted wavelength fluorescent tubes for red-stage production was found to give less production of Astaxanthin by % of dry weight than our current broadband red and blue light tubes. Further experimentation is required to optimize the Astaxanthin produced by % of dry weight for our denser cultures in the red stage. The expansion of the extraction facility from 5 to 30 kg/month of astaxanthin is near completion. Currently, with 1 shift of processing staff we can extract 12Kg of Astaxanthin per month. Key equipment in operation, delivery of auxiliary processing equipment has been subject to international delays. Immediate staffing needs have been addressed, new staff hired in areas of Quality Assurance, operations, and maintenance.

## **Overview of Financial Results**

### **Selected Quarterly Information**

The results of operations for the three and nine months ended September 30, 2021, as compared to the three and nine months ended September 30, 2020, is as follows:

**Pond Technologies Holdings Inc.**  
**Management's Discussion & Analysis**  
**Three and Nine Months Ended September 30, 2021**

**Selected Financial Information**

The following table is a summary of the Corporation's results from operations:

(CDN \$000's)	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2021	2020	2021	2020
Revenue from continued operations	2,163	1,275	4,364	3,367
Direct costs and expenses	(1,260)	(1,100)	(3,039)	(2,719)
Operating expenses	(331)	(299)	(1,088)	(1,068)
General and administrative expenses	(816)	(215)	(1,575)	(839)
Amortization	(173)	(81)	(453)	(242)
Stock-based compensation	(140)	(12)	(500)	(234)
	(2,720)	(1,707)	(6,655)	(5,102)
<b>Operating loss for the period</b>	<b>(557)</b>	<b>(432)</b>	<b>(2,291)</b>	<b>(1,735)</b>
Finance expenses	(238)	(220)	(483)	(593)
Interest income	-	-	1	1
<b>Net loss from continuing operations for the period</b>	<b>(795)</b>	<b>(652)</b>	<b>(2,773)</b>	<b>(2,327)</b>
<b>Discontinued operations</b>				
Net gain/( loss) from discontinued operations for the period	-	(2,352)	239	(2,523)
<b>Net loss and comprehensive loss</b>	<b>(795)</b>	<b>(3,004)</b>	<b>(2,534)</b>	<b>(4,850)</b>
<b>Loss per share, basic and diluted</b>				
Continuing operations \$(1)	(0.02)	(0.03)	(0.07)	(0.10)
Discontinued operations \$(1)	-	-	0.01	(0.10)
Total assets	8,288	6,567	8,288	6,567
Total current liabilities	2,934	5,356	2,934	5,356
Total non-current liabilities	3,988	2,031	3,988	2,031

**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.

**Discussion of Continuing Operations**

**A. Profit and loss for the three months ended September 30, 2021 and 2020**

The Corporation reported a net operating loss from continuing operations of \$795 (2020: loss of \$652) for the three months ended September 30, 2021, which was \$143 higher as compared to 2020. The increase in net loss in Q3 2021 as compared to Q3 2020 was principally due to the following:

- 1) *Trading Revenue* - Increased by of \$890

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

- Technology Services – Revenue of \$932 (2020: \$92) an increase of \$840. The majority of revenue achieved in Q3 2021 and the resulting increase related to licensing fees signed in the quarter.

**Pond Technologies Holdings Inc.**  
**Management's Discussion & Analysis**  
**Three and Nine Months Ended September 30, 2021**

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- Nutraceutical Products – Revenue of \$1,231 (2020: \$1,183) increase of \$48 (5.3%). This was due to a \$23 increase in Regenurex revenue and a \$25 increase in ingredient distribution product sales.

2) *Direct costs and expenses* – Increased by \$160

The increase in direct costs related directly to the increase in revenues.

The consolidated Q3 2021 trading margin (revenue less direct costs and expenses) was \$905 (2020: \$175). The increase was primarily due to increase in licensing fees revenues and related higher margins.

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

- a. Increase in operating expenses of \$33 was primarily due to an increase in salaries and project supplies due to increased activities.
- b. Increase in general and administrative expenses of \$602 was primarily due to a \$377 increase use of third-party consultants, advisors, marketing activities and shareholder relations activities and \$110 increase in legal fees relating to licensing and EPC contracts.
- c. Stock-based compensation - Increase of \$128 due to the granting and vesting of share options in Q3 2021
- d. Amortization – Increase \$92
  - Increase related primarily to the changing of the amortization rate of the distribution rights asset from 10 years to 5 years and higher lease amortization.

Finance expenses and interest income – Increase \$418

- Increase in finance expenses of \$18 is primarily a result of a loan modification gain and initial fair value benefit which occurred in Q2 2020 and not in Q2 2021.

**B. Profit and loss for the nine months ended September 30, 2021, and 2020**

The Corporation reported a net operating loss from continuing operations of \$2,773 (2020: loss of \$2,327) for the nine months ended September 30, 2021, which was \$446 higher as compared to 2020. The increase in net loss in 2021 as compared to 2020 was principally due to the following:

1) *Trading Revenue* - Increased by of \$997

Revenue changes for nine months ended September 30, 2021, by operating business segment is as follows:

- Technology Services – Revenue of \$964 (2020: \$290) resulted in a significant increase of \$674. The majority of revenue increase was achieved in Q3 2021 and related to licensing fees signed in the quarter.

**Pond Technologies Holdings Inc.**  
**Management's Discussion & Analysis**  
**Three and Nine Months Ended September 30, 2021**

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- Pond Nutraceutical Products – Revenue of \$3,400 (2020: \$3,077) increase of \$323 (10.5%). The increase was due to a \$373 (14.1%) increase in ingredient revenue which was offset by a \$50 decrease in Regenurex revenue.

2) *Direct costs and expenses* – Increased by \$320

The increase in direct costs related directly to the increase in revenues.

The consolidated Q1 to Q3 2021 net trading margin (revenue less direct costs and expenses) was \$1,325 (2020: \$648). The increase was primarily due to increase in sales and higher margins from license fees.

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

- a. Increase in operating expenses of \$20.
- b. Increase in general and administrative expenses of \$736 primarily due to the Corporation's increased use of third-party consultants, advisors, marketing activities and shareholder relations activities and legal fees relating to increases in revenue related contracts.
- c. Stock-based compensation - Increase of \$266 due to the granting of 1,795,000 share options in during the 9 months ended September 30, 2021.
- d. Amortization – Increase \$211
  - Increase of \$127 related primarily to the changing of the amortization rate of the distribution rights asset from 10 years to 5 years and higher lease amortization.

Finance expenses and interest income – Decrease \$110

- Decrease in finance expenses of \$110 is primarily related to a loan modification gain which occurred in Q1 2021 and lower Crystal Wealth loan balances.

**Pond Technologies Holdings Inc.  
Management's Discussion & Analysis  
Three and Nine Months Ended September 30, 2021**

## Summary of Quarterly Results

Financial results (\$000's except per share amounts)	Year ended 2021			Year ended 2020				2019
	Q3 30-Sep	Q2 30-Jun	Q1 31-Mar	Q4 31-Dec	Q3 30-Sep	Q2 30-Jun	Q1 31-Mar	Q4 31-Dec
Revenue from continuing operations	2,163	698	1,501	1,433	1,275	1,030	1,062	736
Loss from continuing operations	(795)	(938)	(1,043)	(1,772)	(652)	(687)	(985)	(4,668)
Gain / (loss) from discontinued operations	-	239	-	-	(2,325)	(88)	(86)	391
Net loss and comprehensive loss	(795)	(699)	(1,043)	(1,772)	(2,977)	(775)	(1,073)	(4,708)
Loss per share continuing operations	(0.02)	(0.02)	(0.03)	(0.05)	(0.02)	(0.03)	(0.04)	(0.23)
Loss per share discontinued operations	(0.00)	0.01	(0.00)	(0.00)	(0.08)	(0.00)	(0.00)	0.02
Net loss per share (1)	(0.02)	(0.02)	(0.03)	(0.05)	(0.10)	(0.03)	(0.04)	(0.21)
Cash from / (used in) provided by operating activities	529	(1,031)	(1,819)	(386)	(362)	(464)	(664)	(593)
Capital expenditures & patents	(70)	(26)	(30)	(21)	(30)	(27)	(26)	(118)
Cash and cash equivalents net of short-term liabilities	(764)	(1,422)	(1,196)	(6,318)	(5,133)	(4,338)	(1,429)	(1,420)

**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 Corporation's revenue of \$2,163 (2020: \$1,275) for the three months ended September 30, 2021, arose from the Corporation's two operating business segments. The revenue for each business segment for the three months ended September 30, 2021) was 1) nutraceutical products \$1,231 (2020: 1,183); and 2) technology services \$932 (2020: \$92). The combined \$890 increase in revenue in Q3 2021 is primarily due to technology licensing revenue.

The Corporation's quarterly losses from continuing operations fluctuate primarily by the amount nutraceutical revenue, percentage of completion of third party technology project work, 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 engaged.

The Q3 net loss from continuing operations of \$795 (2020: \$652) was \$143 higher as compared to 2020. The increase was primarily due to increases in legal, shareholder relations, consulting and advisory services which were offset by improved margins. During the 3Q 2020 the Corporation made a \$2,325 provision against its Pembina asset/ discontinued operations (Q3 2021: \$Nil).

### **Net cash used in operations**

Net cash used in continuing operations of \$2,321 (2020: \$1,490) during the nine months ended September 30, 2021 is a result of:

- Receipts from customers of \$4,454 (2020: \$3,489) was significantly higher due to initial cash receipts from licence fees.
- Less payments to suppliers and employees of \$5,957 (2020: \$4,734) The increase was due to creditor catch-up payments after completing the unit offering;

- Less interest payments of \$818 (2020: \$245). The increase was primarily due to the payment of the 4% deferred interest payment arising from the amendment of the Crystal Wealth loan; and
- Plus interest received of \$Nil (2020: \$1).

### **Liquidity and Capital Resources**

For the nine months ended September 30, 2021, the cash balance increased by \$2,003 to \$2,159. The movement was a result of net cash used in operations of \$2,321, cash outflows of \$126 in investing activities and \$4,450 net cash inflow on financing activities.

Pond had a positive working capital balance of \$964 at September 30, 2021 as compared to negative working capital balance of \$5,094 as at December 31, 2020. The Corporation completed a \$1,500 private placement unit offering on August 17, 2021.

### **Commitments and Contingencies**

#### ***Loans Payable***

As at September 30, 2021, \$332 of the Corporation's loan obligations were current and due within one year (Dec 31, 2020: \$2,978) and \$1,883 are non-current (Dec 31, 2020: \$40). \$297 of the Corporation's September 30, 2021 current loan relate to Crystal Wealth, \$35 to the FedDev loan and \$40 to a CEBA loan.

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

#### ***Promissory Note - Convertible Debenture***

As at September 30, 2021 the Corporation's promissory note obligation balance to Georgian Villas Inc. ("GV") was \$1,955. The convertible 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.

See subsequent events note where the promissory note was amended and restated on November 15, 2021.

#### ***Leases***

The Corporation has entered into two premise leases with total lease liabilities of \$195 (2020: \$223) as at September 30, 2021.

### ***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:

<b>Securities</b>	
Common shares	47,491,351
Exchangeable reserve shares	3,712,727
Issuable under share options	4,565,000
Issuable under deferred share units plan to directors	527,973
<b>Total Securities</b>	<b>56,297,051</b>

As at September 30, 2021 the Corporation has 47,416,351 common shares outstanding. In addition, Regenurex shareholders are entitled to receive 3,712,727 of the Corporation's shares in exchange for their currently held Pond Naturals preference shares, by August 1, 2022. The Corporation has 3,290,000 stock options all of which are exercisable at a weighted average price of \$0.66 per share and 527,973 (2020: 817,314) common shares are reserved for issuance under the terms of the Corporations Deferred Share Unit Plan.

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, 2021, there were 13,844,754 warrants and 437,696 Agent Warrants outstanding (2020 – 11,411,783 and 99,347), with an average exercise price of \$0.55 and \$0.45 (2020: \$1.51 and \$0.34) respectively, and an average estimated life of 1.21 and 1.1years (2020: 01.2 and 1.5 years).

**Pond Technologies Holdings Inc.  
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### **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 months and nine months ended September 30, 2021 and 2020 and balances are as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b><i>Transactions:</i></b>				
Loan interest to shareholders CW and GV	\$ 162	\$ 195	\$ 409	\$ 573
Pembina property management fee	-	9	-	27
<b><i>Balances</i></b>				
Loan payable to CW	2,140	2,843	2,140	2,843
Convertible Debenture Debenture to GV	\$ 1,955	1,737	\$ 1,955	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. The Pembina 2021 property management fee was cancelled with the completion of the sale of the property to Grizzly. One of the Corporation's directors was a director of Grizzly during 2020.

### **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 is comprised of:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>	<b>Sept 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Stock based compensation	\$ 26	\$ -	\$ 113	\$ 51
Director and committee fees - cash and DSU	26	46	78	164
Salaries and benefits	96	96	288	288

## **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 Corporation 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 Corporation are to be paid to CW within three days of the date that such proceeds are received. Should the Corporation 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 Corporation in separate tranches, the Corporation 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.

On March 24, 2021, the Corporation entered into an amending agreement with Crystal Wealth Management System Limited, to amend certain terms relating to Pond's obligations under its existing loan arrangements. The amendments provide for an extension of the term of the loan to June 30, 2023, with Pond agreeing to make a payment of \$900 by March 31, 2021, towards interest and principal, monthly principal payments of \$50 beginning July 31, 2021, and continued quarterly as well as interest payments of 8% and 4% deferred interest. All previous principal repayment requirements including 20% any financings and proceeds from the sale of its Pembina oil and gas property were deleted in their entirety. All other terms of the loan remain in effect.

### ***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 off-takes 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.

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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 allow the Corporation time to continue to seek project financing requiring the construction of a Building at MDE. The Agreement expired without further extension on May 2, 2021, and Pond continues to work on projects which could lead to a new agreement for the use of the MDE site if new terms can be agreed.

### ***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.

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 "IOGIF".

### ***Directors***

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.

On December 9, 2020, Mr. Gerry Quinn did not seek re-election at the Corporation's Annual and Special Meeting of Shareholders and Robert McLeese, Grant Smith, William Asselstine, Jacob Gamble and Anthony Giovinazzo were re-elected as directors.

On June 29, 2021, Mr. Anthony Giovinazzo did not seek re-election at the Corporation's Annual and Special Meeting of Shareholders and Robert McLeese, Grant Smith, William Asselstine, Jacob Gamble and John M. Farah Jr. were elected as directors.

### ***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 were extended to January 30, 2021 and expired on that date without further extension. All other terms and conditions of each tranche of the warrants remain unchanged.

On June 8, 2021, the Corporation received approval from the TSXV to extend the exercise date of 2,742,504 warrants due to expire on June 11, 2021, to December 15, 2021. The warrants are exercisable into one common share of the Corporation at \$1.00.

### ***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."

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

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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.

Of the 6,250,000 Pond shares to be issued from treasury, an aggregate 3,712,727 remain in reserve to be issued.

***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. ***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. On

January 4, 2021, the TSXV approved an increase to the number of shares reserved for issuance under the Plan to 1,500,000 on February 4, 2021. As at September 30, 2021, 527,973 (Dec 31, 2020: 704,932) shares have been reserved for issuance on settlement of DSUs.

***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.

***Non-Brokered private placement (March 2021)***

On March 5, 2021, the Corporation closed a non-brokered private placement offering of 10,000,000 Units at a purchase price of \$0.35 per Unit for aggregate gross proceeds of \$3,500. Each Unit was comprised of one common share in the capital of Pond and one common share purchase warrant of Pond, with each Warrant entitling the holder thereof to purchase one common share at a purchase price of \$0.45 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 \$1.35 per Common Share for 20 consecutive trading days on the TSX Venture Exchange 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 on July 6, 2021.

***Non-Brokered private placement (August 2021)***

On August 17, 2021, the Corporation issued a total of 3,333,333 units at \$0.45/unit for \$1,500. Each unit was comprised of one common share and one-half common share purchase warrant. Each whole warrant may be exercised for one additional common share at a price of \$0.60 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 a price of \$1.35 per share for at least 20 consecutive days on the TSXV or two years from date of issuance.

### **Discontinued Operations - Pembina**

The Corporation had a 15.625% working interest in 2 production wells located in the Pembina area of West Central Alberta. These wells were 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 (H<sub>2</sub>S) 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 H<sub>2</sub>S 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 H<sub>2</sub>S 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 Corporation had 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.

Subsequent to the shut-in of the Pembina well, the Keyera Minnehik-Buck Lake ("MBL") gas plant which processed and provided the 20% H<sub>2</sub>S 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 H<sub>2</sub>S rating as directed by the Alberta Energy Regulator ("AER") Directive 13.

This situation 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 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 in 2020.

The Corporation completed a transaction with Grizzly effective June 1, 2021, to sell all of its petroleum and natural gas assets in the Pembina Area, Alberta (the "**Divestiture**"). As part of the Divestiture, Grizzly assumed all abandonment and reclamation liabilities related to the assets and agreed to pay up to \$2.25 million in future conditional consideration to Pond upon the sale of the assets and/or upon the resumption of production.

### **Subsequent Events**

On October 27, 2021, Pond announced its subsidiary Pond Naturals Inc has been certified GMP compliant by an independent third-party auditor, SCS Global Services (SCS), under the HACCP-based Good Manufacturing Practices (GMPs) Food Safety Program standard. The certification audit included inspection of the facility and management system against the site's Food Safety Program based on 21 CFR Part 111 (cGMPs for Dietary Supplements).

On November 1, 2021, Pond announced it has agreed to a non-exclusive collaboration arrangement with project delivery firm Malone Group. A pioneering global partnership between Malone Group and Pond will provide Pond the added infrastructure to support the scaling up process through its ongoing commercialization efforts. Malone Group provides Pond access to process and safety engineering expertise as well as a wealth of experience in delivering projects in operational and regulated environments.

On November 8, 2021, the Corporation issued 75,000 common shares in the capital of Pond to ExCap Advisors Inc. as partial consideration for its strategic advisory services in assisting the Corporation to secure the agreement between the Corporation and Livalta.

On November 15, 2021, Pond issued an amended and restated convertible debenture promissory note in the principal amount of CAD\$1,988,500 (the "Promissory Note") to Georgian Villas Inc. (the "Lender"), an entity controlled by the Chairman of the Corporation, Mr. Robert McLeese. The Promissory Note replaces and supersedes the original convertible debenture promissory note in the principal amount of CAD\$2,000,000 issued by Pond to the Lender on November 15, 2019. The new Promissory Note has the following material attributes:

- Reduction of interest rate from 12% to 9.55% per annum, payable quarterly, with the first interest payment due on February 15, 2022.
- Promissory Note maturing on November 15, 2024.
- Convertible by the Lender into common shares in the capital of Pond at a conversion price equal to greater of (i) \$0.39 per common share and (ii) the average closing price of a common share for the 30 trading days on the TSX Venture Exchange ("TSXV") immediately preceding November 15, 2021; and
- Secured by a security interest over all present and after-acquired undertaking, property and assets of Pond (excluding its equity interest in its subsidiary, Paige Growth Technologies Inc.) pursuant to an amended and restated security agreement granted by Pond in favour of the Lender.

On November 15, 2021, the Corporation granted an aggregate of 1,275,000, stock options ("the Options") to eligible executives, employees and consultants under the Corporation's existing stock option plan. Each option is exercisable for one common share of the Corporation at an exercise price of \$0.40 per share. The closing price of the common shares of the Corporation on the TSX Venture Exchange on November 12, 2021, was \$0.40. The Options have a term of 5 years and vest as to one-third on the date of grant, one-third on the first anniversary of the date of grant, and the balance on the second anniversary of the date of grant.

## **Financial Instruments and Other Instruments**

As at September 30, 2021, the Corporation had three loans outstanding totaling \$2,215 (2020: \$3,029). The largest loan outstanding was \$2,140 (2020: \$ 2.843) to Crystal Wealth.

### *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.

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.

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On March 24, 2021, the Corporation entered into an amending agreement with Crystal Wealth Management System Limited, to amend certain terms relating to Pond's obligations under its existing loan arrangements. The amendments provide for an extension of the term of the loan to June 30, 2023, with Pond agreeing to make a payment of \$900 by March 31, 2021 (which it did) towards interest and principal, monthly principal payments of \$50 beginning July 31, 2021, and continued quarterly interest payments of 8% and 4% deferred interest. All previous principal repayment requirements including 20% of any financings and proceeds from the sale of its Pembina oil and gas property were deleted in their entirety. All other terms of the loan remain in effect.

*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 \$125 as at December 31, 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.

*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.

On November 15, 2021, the convertible debenture was amended. See subsequent events note above.

**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.

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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 favorable 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 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

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- 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; and

28. 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 2021 and 2022.

### **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 transact in US dollars, as well, some technology sales transact in GBP. These foreign currency transactions 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 September 30, 2021 the Corporation recorded a \$Nil impairments.

The Corporation made a further capital asset impairment charge of \$Nil in Q3 (2020: \$2,325) against the Corporation's working interest in its Pembina oil and gas interest. The 2020 impairment charge taken was due to the closure of a down-stream gas plant which processed and provided the 20% H<sub>2</sub>S 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. The Pembina property is classified as discontinued and was sold on June 1, 2021, there is a \$Nil balance recorded for up to \$2.25m of future conditional consideration arising from the sale.

The Corporation made a capital asset impairment charge of \$Nil in Q3 (2020 full year: \$258) against the contract receivable balance owed by Stelco Algae due to the uncertainty to secure future project financing for the Stelco project.

#### ***Research & development tax credits***

The Corporation is entitled to government assistance in the form of research tax credit, grants and wage subsidy. Grants and wage subsidy 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 and wage subsidy programs 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 margin. These non-IFRS measures may not be comparable to similar measures presented by other companies.

#### **Changes in Accounting Policies**

In February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023. The IASB also issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

#### **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 biotechnology and 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](http://www.sedar.com) under the Corporation's profile.