

POND TECHNOLOGIES HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022



Dated November 28, 2022

Introduction

The following Management's Discussion and Analysis ("**MD&A**") of Pond Technologies Holdings Inc. ("**Pond**" or the "**Company**") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2021. This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended December 31, 2021 and 2020 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022, together with the notes thereto. Results are reported in **Canadian dollars in thousands**, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at, November 28, 2022 unless otherwise indicated.

The condensed unaudited consolidated interim financial statements for the three and nine months ended September 30, 2022, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, 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's common shares; or (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 of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company 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.

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 Company, 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 Company 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 “Corporate Highlights”, “Outlook and Strategy”, and “Liquidity and Capital Resources” of this MD&A, including those with respect to the implementation of the Company’s business strategy, the development of the nutraceutical algae production, the development of the biotechnology and technology services business and expectations concerning the Company’s financial condition, results of operations, business, assets, prices, 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 Company believes are reasonable assumptions, the Company 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 Company anticipates that subsequent events and circumstances may cause the Company’s views to change. Forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise any forward-looking statements to reflect new events or circumstances, except as required by law.

Description of Business and Divisions

Pond (TSXV: Pond; OTC Markets: PNDHF) is commercializing its patent protected algae growth platform, which converts carbon dioxide (CO₂) into algal-based commercial products. Its algae growth platform converts the CO₂ found in the untreated stack gas of industrial emitters into human food, animal feed, nutraceuticals and natural fertilizers. The key to the model is the vertical integration from the initial capturing of the carbon to the growing of algae, to the end sustainable product. In over ten years of R&D, Pond has developed a robust disruptive technology platform based on proprietary LED-lights and controls and patented CO₂ Management. Pond has begun to license its technology to third parties for ongoing license fees and royalties.

Pond’s Carbon division focuses on absorbing greenhouse gas emissions, transforming these into food, feed, and nutraceutical ingredients. Pond’s Biotech division focuses on the growth of unique strains of micro-

algae to be used as a reproductive medium for the expression of human antibodies and other proteins. Pond's Nutraceutical products division is actively pursuing distribution opportunities in the nutraceutical superfood marketplace, and the production of astaxanthin and related products.

The Company is also working to extend its technology applications for the commercial adoption into other verticals, including tailing pond desalination, land remediation and aquaculture.

Corporate Highlights

Financial and operating highlights for the three and nine months ended September 30, 2022 include:

- 1. Biotech Division Successfully Met Commercial Milestone** - Pond has successfully met an additional milestone under the previously announced contract with a major Fortune 500 Oil and Gas company, announced on August 10, 2021. For completion of this milestone, the Company has received an additional \$350 payment, equating to a total of \$580 received to-date from the contract. To achieve this significant milestone, the Company extracted recombinant proteins from algae grown by Pond that needed to perform as well or better than conventionally manufactured proteins in a lateral flow diagnostic test. In August, lateral flow tests using Pond-grown recombinant proteins successfully tested for COVID antibodies and were more reactive than conventional proteins. Since the beginning of 2022, Pond has been making weekly deliveries of recombinant proteins to the project consortium for testing. This material has proven that algae-grown recombinant proteins perform as well as conventionally produced proteins in diagnostic tests. Results of these trials were recently published in the scientific journal *Nature Scientific Reports* and is available here: <https://www.nature.com/articles/s41598-022-11053-7>.
- 2. Joint Commercialization Project With AB Agri/Livalta** - The joint commercialization project to produce algae-based animal feed ingredients with AB Agri/Livalta continued to progress. This global partnership with the protein specialists AB Agri/Livalta and Pond will produce commercial algae-based animal feed ingredients from CO₂ emissions. Effectively, the technology is designed to take CO₂ emissions to produce high value protein. Since the start of the agreement, Pond has received approximately \$1,572 for initialization and advanced milestone payments and has completed initial engineering work. The advance milestone payments are recorded as deferred contract revenue and moves to revenue when milestones are met. A further approximately \$4,000 in license and engineering, procurement and construction payments remain to be earned by Pond.
- 3. Share Issuance** - On March 2 and 28, 2022, the Company issued a total of 8,920,002 common shares at \$0.20/share for aggregate gross proceeds of \$1,784 in a non-brokered private placement. On September 27, 2022 the Company announced a further non-brokered private placement which was completed in the aggregate amount of 2,006,667 common shares at \$0.15/share for aggregate gross proceeds of \$301. No warrants were issued in conjunction with either private placement.

Financial and Corporate Q3

- The condensed unaudited interim consolidated financial statements have been prepared on a going concern basis under the historical cost method.
- On September 30, 2022, the Company had cash balances of \$466 (Dec. 31, 2021: \$1,067). On September 30, 2022, the Company had receivable balances of \$964 (Dec. 31, 2021: \$439).
- Cost of contracts asset decreased from \$814 to \$757 during the quarter ended September 30, 2022 (Dec. 31, 2021: \$354) as a result of the Company achieving milestone 1 in its Biotech division and the remaining balance will be recognized as direct cost of revenue when further contractual milestones are met.
- Deferred contract revenue decreased from \$1,759 to \$1,609 during the quarter ended September 30, 2022 (Dec. 31, 2021: \$574) as a result of the Company achieving milestone 1 in its Biotech division and the remaining balance will be recognized as revenue when contractual milestones are met.
- Pond's working capital deficit balance as at September 30, 2022 was \$2,304 (Dec. 31, 2021: deficit \$138) and increased during the quarter primarily as a result of the Crystal Wealth loan of \$1,740 moving to current as the loan matures in June 2023. Pond will have working capital requirements arising from the growth of its commercialization of its technology and the amount of working capital required will depend on the type and terms of any contract agreed to with customers and future customers.

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 ready for an algae-based revolution. These industries have been researching the uses of algae for decades, but few technologies can scale production. 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.

Adoption of Pond's Technology

The Company's research and development work has positioned the Company to be able to deploy its technology on a commercial basis once further adoption of the technology by industry is achieved. Pond is in discussions with industrial stack emitters, industries with tailing ponds, 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

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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.

Proprietary Technology

Pond's algae growth platform, is based upon enclosed, controlled, and monitored photobioreactors using proprietary lighting and controls and may provide a significant competitive advantage, and allow the Company 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 system control technology, as well as its real-time growth optimization technology POND *Algae*rithm. Pond continues to approach ESG solution seeking businesses with a view toward adopting and licensing its technology.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Overview of Financial Results

Discussion of Operations

Profit and loss for the three months ended September 30, 2022

For the three months ended September 30, 2022, Pond recorded a net operating loss from operations of \$791, with basic and diluted loss per share of \$0.01. This compares with a net operating loss of \$795 for the three months ended September 30, 2021. The decrease in net operating loss of \$4 is principally a result of revenue decreasing by \$417 and a \$316 decrease in margin which was offset by a decrease in other expenses and interest of \$320.

Profit and loss for the nine months ended September 30, 2022

For the nine months ended September 30, 2022, Pond recorded a net operating loss from operations of \$3,298, with basic and diluted loss per share of \$0.06. This compares with a net operating loss of \$2,773 for the nine months ended September 30, 2021, with basic and diluted loss per share of \$0.07. The increase in net operating loss of \$525 is principally a result of increase in operating and general and administrative expense in Q3.

Assets and liabilities as at September 30, 2022; Dec. 31, 2021; and, Dec 31 2020

The following is selected financial data of the Company as at September 30, 2022, December 31, 2021, and December 31, 2020:

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	As at Sep 30, 2022	As at Dec. 31, 2021	As at Dec. 31, 2020
Total current assets	\$2,779	\$2,240	\$1,380
Total non-current assets	\$2,890	\$3,020	\$4,819
Total assets	\$5,669	\$5,260	\$6,199
Total current liabilities	\$5,083	\$2,378	\$6,474
Total non-current liabilities	\$2,202	\$3,594	\$2,105
Total liabilities	\$7,285	\$5,972	\$8,570
Total shareholders' equity/ (deficit)	(\$1,616)	(\$712)	(\$2,380)

Liquidity and Capital Resources

The Company had cash balances from continued operations of \$466 as at September 30, 2022 (December 31, 2021 - \$1,067). The decrease in cash during the nine months ended September 30, 2022 was \$601. This was a result of net cash used in operations of \$2,098, cash outflows of \$3 in investing activities and \$1,500 of net cash inflow on financing activities.

Pond had a working capital deficit on September 30, 2022 of \$1,164 (Dec. 31, 2021: deficit \$138) and will need to raise further funds through the issuance of shares in 2022. The Company completed a \$1,784 private placement share offering in Q1 2022 and \$301 on September 27, 2022. The funds from this offering will be required to meet working capital, capital commitments and debt servicing needs.

See "Risk Factors" below

Critical Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates and assumptions seldom equal actual results and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and to the amounts of revenues and expenses presented in these financial statements. The areas which require management to make significant judgments, estimates and assumptions are discussed below:

Consolidation

The condensed unaudited consolidated financial statements include the accounts of Pond Technologies Holdings Inc. and its subsidiaries (collectively "the Group"). Subsidiaries are entities controlled directly or indirectly by Pond. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All are 100% owned by Pond and in each case the management has deemed that Pond has control over these and all other subsidiaries on the measures set out above.

Contract receivable

The valuation of contract receivable including the determination of the amount of expected credit losses that is updated at each reporting date to reflect changes in credit risk and recoverability since initial recognition is a significant estimate.

Impairment of intangibles and capital assets

The Company's estimate of a cash generating unit ("CGU's") or group of CGUs' recoverable amount is based on the greater of either the value in use or fair value less costs of disposal. Assessing value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The future cash flow estimates are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business.

Stock-based compensation

The Company uses the fair value method to account for stock-based employee compensation plans. The calculation of this benefit relies on estimates of the anticipated life of the option, risk free rate, forfeiture rate, and the volatility of the Company's share price.

Subsequent Events

On October 18, 2022, Synergraze Inc. an Alberta company filed a Statement of Claim against the Company alleging a breach of a Mutual Confidentiality, Non-Disclosure and Non-Circumvention Agreement Confidentiality Agreement ("Agreement") signed on August 18, 2021. The Company has filed a Defense stating it has complied with the spirit of the Intent of the Agreement and Synergraze Inc. has not suffered any damages. The Company has also filed a Counter Claim alleging a breach of contract and breach of duty of confidence, and conversion by Synergraze Inc.

On November 15, 2022, the Company completed a non-brokered private placement in the aggregate amount of 3,750,000 common shares of Pond at a purchase price of \$0.12 per common share (no warrant) for aggregate gross proceeds of \$450. The private placement included insider participation for 2,916,667 common shares.

New Standard Adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company's unaudited interim condensed consolidated financial statements.

New Standards Not Yet Adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Related Party Transactions

The Company enters into related transactions with management and agreements with its shareholders. Details of these transactions for the three and nine months ended September 30, 2022 and 2021 and balances as at September 30, 2022 and December 31, 2021 are as follows:

	2022	2021
<i>Transactions nine months ended Sep 30:</i>		
Loan and debenture interest to shareholders	\$ 366	\$ 409
<i>Balances (Sep 30, 2022 & Dec 31, 2021):</i>		
Loan payable to CW	1,740	2,140
Convertible debenture to GV	1,747	1,955
Director fees payable	\$ 62	\$ 47

The loans payable and interest amounts relate to loan amounts advanced by Crystal Wealth (CW) who are shareholders of the Company and the convertible debenture issued to Georgian Villas Inc. (GV) an entity controlled by Pond's director Mr. Robert McLeese.

On December 1, 2021, the Company entered into a six-month Special Committee: Project agreement with John M Farah Jr LLC, a company whose sole member and managing director is John M Farah Jr. John M Farah Jr, also an independent director of Pond, undertook the Special Committee: Project to inform and enable Pond biotechnology innovation and adoption. The Project entailed identifying parties interested or invested in algae-based production of biologics and initiating outreach to understand challenges and opportunities, market needs and interests, with potential commercial adoption customers introduced to Pond management. The compensation paid for the consulting services is \$3.5 per month and up to \$5.25 in DSU's.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2021, available on SEDAR at www.sedar.com.

Additional Information

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