

**POND TECHNOLOGIES HOLDINGS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2023**



**Dated November 29, 2023**

## **Introduction**

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Pond Technologies Holdings Inc. ("Pond" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and nine months ended September 30, 2023. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2023 and December 31, 2022, together with the notes thereto, and the condensed unaudited interim consolidated financial statements of the Company for the three and nine months ended September 30, 2023 and the notes thereto. Results are reported in thousands of Canadian Dollars (CDN\$), 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, 2023, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of November 29, 2023, unless otherwise indicated.

The Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023, 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 **Error! Hyperlink reference not valid.** or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedar.com](http://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, 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 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**

The Company is commercializing its patent protected algae growing platform, which converts carbon dioxide (CO<sub>2</sub>) into algal-based commercial products. Its algae growing platform converts the CO<sub>2</sub> found in the untreated stack gas of industrial emitters into animal, human feeds, nutraceuticals, and natural fertilizers. The key to the business model is the vertical integration from the initial capturing of the carbon dioxide 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, sensors and controls, and patented CO<sub>2</sub>-management.

Pond has begun to license its technology to third parties for ongoing license fees and royalties as well as the sale of proprietary equipment. Pond has a Pond Carbon division to focus on absorbing greenhouse gas emissions, transforming these into food, feed, and nutraceutical ingredients. Pond also has a Biotech division focused on the growth of unique strains of microalgae to be used as a reproductive medium for the expression of human antibodies and proteins. In addition, the Company is also working to extend its technology applications in other verticals, including land remediation, aquaculture and desalination, in an effort to further commercialize the adoption of its integrated proprietary algae growth platform.

## **Corporate Highlights**

Financial and operating highlights for the three and nine months ended September 30, 2023 and significant corporate subsequent events:

1. *Revenue* - Decrease in revenue of \$511 (13.5%) for the nine months ended September 30, 2023, \$3,283 vs \$3,794 in 2022. The decrease relates to lower technologies services revenue of \$358 and lower Nutraceutical revenue of \$153 as compared to 2022. The majority of the decrease in revenue occurred in the third quarter as Pond was able to recognize \$500 in technology milestone revenue in 2022 vs \$37 in 2023. Financial statement milestone revenue recognition creates significant swings for a company in early days of commercialization and this is the current case for Pond. As at September 30, 2023 Pond has recorded \$1,572 in deferred contract revenue which will be recognized when milestones are met in the future.
2. *Margin* - Revenue less direct costs and expenses for the nine months ended September 30, 2023 \$723 (2022: \$1,020) decreased by \$297. Margin for the three months ended September 30, 2023 was \$280 (2022: \$587) a decrease of \$307. The three- and nine- months margin decrease was directly a result of the 2022 \$500 technology milestone revenue which had a margin of \$348 and did not occur in 2023.
3. *Crystal Wealth Loan Settlement* – Pursuant to a settlement agreement dated October 5, 2023, between Pond Technologies Inc., and Grant Thornton Limited, in its capacity as court-appointed receiver and manager of Crystal Wealth Management System Limited, Pond settled on a full and final basis, all of its obligations owing under the Crystal Wealth loan on October 30, 2023 for \$1,200. The settlement was temporarily funded by a short-term advance (“STA”) provided to Pond from Colmac Holdings Limited (an entity controlled by Pond’s Chairman, Mr. Robert McLeese). The settlement resulted in a financial gain to Pond of approximately \$500. The STA will be repaid from the proceeds of Pond’s private placement of a \$8,000 convertible debentures (the “Convertible Debentures”).
4. On November 3, 2023, the Company announced it was in receipt of subscriptions to complete a private placement of Convertible Debentures totaling \$8,000 which bear interest at 12% per annum, are convertible into Common Shares of Pond at the option of the holders thereof at any time at a conversion price of \$0.20 per share (the “Conversion Price”), and mature three (3) years from the date of issuance. In the event that, following closing, the daily volume weighted average trading price (or closing bid price on days when there are no trades) of the Common Shares on the TSX Venture Exchange exceeds \$0.40 per Common Share for 20 consecutive trading days (the “Triggering Event”), the Convertible Debentures shall be automatically converted into Common Shares on the effective date of the Triggering Event at the Conversion Price. The closing of the Convertible Debentures is expected to occur on November 30, 2023 or shortly thereafter.
5. *AB Agri* - The AB Agri Engineering, Procurement and Supply Agreement (“EPC”) was terminated on July 10, 2023 and the Company is in discussions to settle all costs owed to or from the Company arising from the termination and any disputed amounts. If a satisfactory settlement of all EPC costs arising from the termination cannot be agreed between the parties, the Company will need to revert to an arbitration proceeding as set out in the EPC agreement. The existing license agreement with AB Agri remains in place and the Company is in discussions to sign a new consulting services agreement to provide access to Pond’s ongoing algae growth technology.

### **Financial and Corporate**

- The unaudited interim consolidated financial statements have been prepared on a going concern basis under the historical cost method.
- On September 30, 2023, the Company had cash balances of \$70 (Dec. 31, 2022: \$196). On September 30, 2023, the Company had receivable balances of \$270 (Dec. 31, 2022: \$470).
- Pond had working capital deficit balance as at September 30, 2023 of \$5,557 (Dec 31, 2022 \$3,809 deficit). Subsequent to the Company closing the above noted \$8,000 Convertible Debentures private placement the working capital balance will revert to a surplus position due to the settlement of the Crystal Wealth loan with a three-year debenture term and additional funds for working capital purposes.

### **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 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.

*Proprietary Technology* - Pond's algae growth platform, based upon enclosed, controlled, and monitored photobioreactors, 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 working knowhow. 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, 2023

For the three months ended September 30, 2023, Pond recorded a net loss from operations of \$898, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$791 for the three months ended September 30, 2022. The increase in net operating loss of \$107 is principally a result of a decrease in revenue.

#### Assets and liabilities as at Sept. 30, 2023; Dec. 31, 2022; and, Dec 31 2021

The following is selected financial data of the Company as at September 30, 2023, December 31, 2022, and December 31, 2021:

	As at Sept. 30, 2023	As at Dec. 31, 2022	As at Dec. 31, 2021
Total current assets	\$713	\$1,860	\$2,240
Total non-current assets	\$2,969	\$2811	\$3,020
Total assets	\$3,682	\$4,671	\$5,260
Total current liabilities	\$6,270	\$5,022	\$2,378
Total non-current liabilities	\$1,774	\$1,912	\$3,594
Total liabilities	\$8,044	\$6,934	\$5,972
Total shareholders' (deficit)	(\$4,362)	(\$2,236)	(\$712)

### **Outstanding Share Data**

As at the date of this MD&A, the Company had the following number of issued Common Shares and issuable shares outstanding:

<b>Securities</b>	
Issued Common Shares	76,645,875
GV Convertible debenture at \$0.39/share	4,739,743
Share Compensation:	
RSUs	1,582,800
DSU's	833,576
Options	705,000
<b>Total Securities</b>	<b>84,506,794</b>

### **AB Agri**

On September 7, 2021, the Company entered into two contracts with AB Agri, a subsidiary of Associated British Foods (LSE:ABF) for the commercialization of algae-based animal feed ingredients from CO2 emissions. One agreement was an Engineering, Procurement and Supply Agreement ("EPC") where AB Agri agreed to purchase a pilot algae demonstration system from the Company to be installed in the UK for approximately \$2,900 and the second agreement is a licence agreement to access the Company's technology where the Company received an initial fee of GBP 500 for signing the agreements.

The EPC agreement was terminated on July 10, 2023 and the Company is in discussions with AB Agri to settle all costs owed to or from the Company arising from the termination and any disputed amounts. The licence agreement with AB Agri remains in place and the Company is in discussions for a new consulting services agreement to provide AB Agri access to Pond's ongoing algae growth technology.

### **Subsequent Events**

#### **Crystal Wealth Loan Settlement**

Pursuant to a settlement agreement dated October 5, 2023, between Pond Technologies Inc., and Grant Thornton Limited, in its capacity as court-appointed receiver and manager of Crystal Wealth Management System Limited, Pond settled on a full and full basis, all of its obligations owing under the Crystal Wealth loan on October 30, 2023 for \$1,200. The settlement was temporarily funded by a short-term advance provided to Pond from Colmac Holdings Limited (an entity controlled by Pond's Chairman, Mr. Robert McLeese). The settlement resulted in a financial gain to Pond of approximately \$500. The short-term advance will be repaid from the proceeds of Pond's private placement of a \$8,000 Convertible Debentures.

### **Convertible Debentures**

On November 03, 2023, the Company announced it was in receipt of subscriptions to complete a private placement of Convertible Debentures totaling \$8,000 which bear interest at 12% per annum, are convertible into Common Shares of Pond at the option of the holders thereof at any time at a conversion price of \$0.20 per share (the "Conversion Price"), and mature three (3) years from the date of issuance. In the event that, following closing, the Triggering Event occurs, being that the daily volume weighted average trading price (or closing bid price on days when there are no trades) of the Common Shares on the TSX Venture Exchange exceeds \$0.40 per Common Share for 20 consecutive trading days, the Convertible Debentures shall be automatically converted into Common Shares on the effective date of the Triggering Event at the Conversion Price. The closing of the Convertible Debentures is expected to occur on November 30, 2023 or shortly thereafter.

The Convertible Debentures are to be secured obligations, secured against all of Pond Technologies Inc.'s present and after-acquired personal property, including all technology, patents, copyrights, inventions and other intellectual property.

The net proceeds of the Private Placement will be used for the repayment of the short-term advance which settled the Crystal Wealth loan on October 30, 2023 and for growth working capital and general corporate purposes.

### **Liquidity and Capital Resources**

The Company had cash balances from continued operations of \$70 as at September 30, 2023 (December 31, 2022 - \$196). The decrease in cash during the nine months ended September 30, 2023 was \$126. This was a result of net cash used in operations of \$782, cash outflows of \$23 in investing activities and \$679 net cash inflow on financing activities.

Pond had a working capital deficit balance as at September 30, 2023 of \$5,557 (Dec 31, 2022 \$3,809 deficit). Subsequent to the Company closing the above noted \$8,000 Convertible Debentures private placement the working capital balance will revert to a surplus position due to the settlement of the Crystal Wealth loan with a three-year debenture term and additional funds for working capital purposes.

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 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 (“**CGUs**”) 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. The calculation for restrictive share units is based on the share price on the date of grant and amortized over the term of the unit. The calculation for deferred share units is based on the share price on the date of grant.

### **New Standard Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after December 31, 2022. Many are not applicable or do not have a significant impact to the Company's unaudited condensed interim 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, 2023. 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 nine months ended September 30, 2023 and 2022 and balances as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
<b><i>Transactions nine months ended September 30:</i></b>		
Debenture effective interest to GV	\$ 216	\$ 366
<b><i>Balances, September 30, 2023 &amp; December 31, 2022:</i></b>		
Convertible debenture to GV	1,695	1,724
Director fees payable	78	63
Accounts payable and accrued liabilities	\$ 426	\$ 72

The convertible debenture is issued to Georgian Villas Inc., an entity controlled by Pond's director Mr. Robert McLeese.

### 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, 2022, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Additional Information

Additional Information concerning the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile.