



SPARQ CORP.
(formerly, MJ Innovation Capital Corp.)

Management's Discussion and Analysis

For the years ended December 31, 2021 and 2020

Dated April 20, 2022

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") has been prepared by management of SPARQ Corp. (formerly, MJ Innovation Capital Corp.) (the "**Company**") and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ending December 31, 2021 and December 31, 2020 (the "**Financial Statements**"). The Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. All amounts are in Canadian dollars unless otherwise specified. The Financial Statements may be found under the Company's SEDAR profile at www.sedar.com .

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of the MD&A, and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

The Audit Committee and the Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A after the completion of its review and recommendation for approval by the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A. Such statements can, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate," "potential," "proposed," "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by applicable securities laws.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Factors which could cause the actual results to differ materially from current expectations include but are not limited to:

- if demand for solar energy solutions does not grow or grows at a slower rate than anticipated, including as a result of the ongoing COVID-19 pandemic, the Company's business will suffer;
- the rapidly changing solar industry makes it difficult to evaluate the Company's current business and future prospects;
- an increase in interest rates or tightening of the supply of capital in the global financial markets could make it difficult for end-users to finance the cost of a solar PV system and could reduce the demand for smart energy products and thus demand for the Company's products;
- defects or performance problems in our products could result in loss of customers, reputational damage, and decreased revenue, and the Company may face warranty, indemnity, and product liability claims arising from defective products;
- the Company depends on sole-source and limited-source suppliers for key components and products. If the Company is unable to source these components and products on a timely basis, the Company will not be able to deliver its products to customers;
- the Company depends upon a sole-source and small number of outside contract manufacturers,

and business and operations could be disrupted if the Company encounters problems with these contract manufacturers;

- if the Company or its contract manufacturers are unable to obtain raw materials in a timely manner or if the price of raw materials increases significantly, production time and product costs could increase, which may adversely affect the Company's business;
- manufacturing problems could result in delays in product shipments, which would adversely affect the Company's revenue, competitive position and reputation;
- the products manufactured by the Company use a number of electronic components such as semiconductor switches, semiconductor chips, magnetics and capacitors. The impact of COVID19 has resulted in a shortage of some of these components. It is unclear if the shortage will improve in the near future and such supply shortages could negatively impact the Company's ability to supply its products to customers, which could have an impact on revenue;
- the Company relies primarily on distributors, installers and providers of solar financing to assist in selling products to customers, and the failure of these customers to perform at the expected level, or at all, would have an adverse effect on the Company's business, financial condition and results of operations;
- mergers in the solar industry among the Company's current or potential customers may adversely affect its competitive position;
- the solar industry is highly competitive, and the Company expects to face increased competition as new and existing competitors introduce products or develop alternative technologies, which could negatively impact its business, financial condition and results of operations;
- the loss of, or events affecting, one of the Company's major customers could reduce its sales and have an adverse effect on the Company's business, financial condition and results of operations;
- the Company's microinverter products may not achieve broader market acceptance, which would prevent the Company from increasing its revenue and market share;
- the Company's recent and planned expansion into existing and new markets could subject it to additional business, financial and competitive risks;
- we may fail to capture customers in the new product and geographic markets that we are pursuing;
- if the Company fails to retain key personnel or if the Company fails to attract additional qualified personnel, the Company may not be able to achieve its anticipated level of growth and its business could suffer;
- any failure by management to properly manage growth could have a material adverse effect on its business, operating results, and financial condition;
- if the Company is unsuccessful in continuing to expand its direct-to-consumer sales channel by driving purchases through its website, the Company's business and results of operation could be harmed;
- use of social media may materially and adversely affect the Company's reputation or subject it to fines or other penalties;
- the Company is subject to insurance-related risks;
- credit risk;
- liquidity risk;
- foreign currency risk;
- conflicts of interest;
- if the Company fails to protect or incur significant costs in defending its intellectual property and other proprietary rights, the Company's business and results of operations could be materially harmed;
- third parties may assert that the Company is infringing upon their intellectual property rights, which could divert management's attention, cause the Company to incur significant costs and prevent it from selling or using the technology to which such rights relate;
- the Company's failure to obtain the right to use necessary third-party intellectual property rights on reasonable terms, or the Company's failure to maintain, and comply with the terms and conditions applicable to these rights, could harm the Company's business and prospects;
- the Company may not be able to protect and enforce its trademarks and trade names, or build name recognition in our markets of interest thereby harming its competitive position;

- obtaining and maintaining patent protection depends on compliance with various required procedures, document submissions, fee payments and other requirements imposed by governmental patent agencies, and the Company's patent protection could be reduced or eliminated for non-compliance with these requirements;
- patent terms may be inadequate to protect the Company's competitive position on its products for an adequate amount of time;
- the Company relies on trade secrets;
- changes in laws and regulations;
- the Company's anticipated international sales subject us to additional risks that could adversely affect its business, results of operations and financial condition;
- the Company may be involved in legal proceedings from time to time and, while management cannot predict the outcomes of such proceedings and other contingencies with certainty, some of these outcomes could adversely affect the Company's business and financial condition;
- the reduction, elimination or expiration of government subsidies and economic incentives for on-grid solar electricity applications could reduce demand for solar PV systems and harm the Company's business;
- the Company's gross profit may fluctuate over time, which could impair our ability to achieve or maintain profitability;
- we may be under pressure to reduce the prices of the Company's products, which may adversely affect the Company's gross margins;
- a drop in the retail price of electricity derived from the utility grid or from alternative energy sources, or a change in utility pricing structures, may harm the Company's business, financial condition and results of operations;
- if the Company does not forecast demand for its products accurately, the Company may experience product shortages, delays in product shipment, excess product inventory, difficulties in planning expenses or disputes with suppliers, any of which will adversely affect the Company's business and financial condition;
- currently the Company has two major customers and the loss of one or both may cause fluctuations or declines in the Company's revenues;
- parties with whom the Company does business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the Company;
- natural disasters, public health events, significant disruptions of information technology systems, data security breaches, or other catastrophic events could adversely affect the Company's operations;
- COVID-19;
- general global economic conditions;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- quarterly performance variation;
- market for the Common Shares;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage;
- tax issues; and
- potential undisclosed liabilities associated with the Amalgamation.

Please refer to the Company's filing statement dated December 23, 2021 (the "**Filing Statement**") for a detailed description of the risk factors associated with the Company. The Filing Statement may be found under the Company's SEDAR profile at www.sedar.com.

Description of the Company's Business

The Company was incorporated under the *Business Corporations Act* (Ontario) on November 13, 2018. On December 31, 2021, the Company completed its qualifying transaction pursuant to the rules of the

TSX Venture Exchange (the “**Qualifying Transaction**”), resulting in a reverse takeover of the Company by SPARQ Systems Inc. (“**SPARQ**”). The Qualifying Transaction was completed by way of a three-cornered amalgamation (the “**Amalgamation**”) pursuant to which, among other things, (i) SPARQ amalgamated with a wholly-owned subsidiary of the Company, incorporated for the purposes of the Amalgamation, pursuant to the provisions of the *Business Corporations Act* (Ontario), and (ii) all of the outstanding common shares in the capital of SPARQ (the “**SPARQ Shares**”) were cancelled and, in consideration therefor, the holders thereof received post-consolidation common shares in the capital of the Company (the “**Common Shares**”) on a 1:1 basis.

Prior to the completion of the Qualifying Transaction, the Company changed its name to “SPARQ Corp.” and consolidated its Common Shares on a 1.25:1 basis. In addition, SPARQ completed a consolidation of the SPARQ Shares on a 10.8085146:1 basis.

In connection with the Qualifying Transaction, on December 22, 2021, SPARQ completed a brokered private placement of subscription receipts (each, a “**Subscription Receipt**”) at a price of \$0.50 per Subscription Receipt, pursuant to which SPARQ issued an aggregate of 20,000,000 Subscription Receipts for aggregate gross proceeds of \$10,000,000 (the “**Offering**”). Concurrent with closing of the Qualifying Transaction, each Subscription Receipt was converted into units of the Company consisting of one Common Share and one common share purchase warrant (each, a “**Warrant**”) with each such Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.75 per share for a period of 24 months from the date of issuance, pursuant to the provisions of a subscription receipt agreement entered into among the Company, SPARQ, Echelon Capital Markets (the “**Agent**”) and TSX Trust Company dated December 22, 2021. In connection with the Offering, 1,258,250 compensation options (the “**Compensation Options**”) were issued to members of the selling group, with each such Compensation Option being exercisable for one Common Share and one Warrant on the same terms as those issued pursuant to the Offering.

The Company designs and manufactures next generation single-phase microinverters for residential and commercial solar electric applications. The Company has developed a proprietary photovoltaic (“**PV**”) solution called the Quad; the Quad inverter optimizes four PV modules with a single microinverter, simplifying design and installation, and lowering cost for solar power installations when compared to existing market offerings.

The address of the Company’s registered and head office is 945 Princess Street, Box 212, Kingston, Ontario K7L 0E9. The Common Shares are listed for trading on the TSX Venture Exchange under the trading symbol “SPRQ”.

COVID-19

Since the commencement of the COVID-19 outbreak in the early part of the year ended December 31, 2020, there have been significant disruptions to organizations throughout Canada and the rest of the world, resulting in a general economic slowdown.

The Company has been monitoring announcements and guidelines published by civil authorities with regards to the health and safety matters at its premises. The Company has experienced supply chain issues and challenges to its sales during the COVID-19 pandemic, and has attempted to mitigate the resulting cash flow reductions by accessing available federal government support programs.

Going forward, it is not possible to estimate the duration or severity of the impacts on the Company’s revenue stream or cost patterns arising from the COVID-19 pandemic.

Highlights of the year ended December 31, 2021 to the date of this MD&A

- On December 31, 2021, the Company completed its Qualifying Transaction.
- On January 7, 2022, the Common Shares commenced trading on the TSX Venture Exchange under the symbol “SPRQ” and the Warrants commenced trading under the symbol “SPRQ.WT”.

- On February 24, 2022, the Company announced the appointment of Dr. Arul Shanmugasundaram to the Board of Directors.
- On March 23, 2022, the Company announced that it has entered into a memorandum of understanding (the “MOU”) with Ti-Lane Precision Electronic Company Limited (“**Ti-Lane**”) for the manufacturing of Q1200 microinverters. Ti-Lane is a global leader in providing connector and cable assembly products for communications, computer, medical, automotive and clean energy applications. Ti-Lane is a shareholder in the Company and is controlled by Baojun (Robbie) Luo, one of the Company’s directors. The terms of the MOU contemplate that Ti-Lane will construct, at its own cost, a manufacturing facility in GuangDong Province, China. The facility is expected to be completed by July 2022, and producing for the Company 5,000 to 10,000 units per month on a cost-effective basis by Q4 2022. The facility’s initial capacity is expected to be 200 MW per annum with expansion potential to 1 GW as demand grows. The additional capacity to be provided by Ti-Lane is expected to be a critical supplement to the Company’s existing manufacturing capacity in Canada, which has been impacted by an acute chip shortage. As the Company’s current manufacturing partner in Canada will not be able to produce inverters for the Company in sufficient quantities for this year, the Company does not foresee the generation of any material revenue until 2023.

Selected Annual Information

	As at and for the year ended December 31, 2021	As at and for the year ended December 31, 2020	As at and for the year ended December 31, 2019
	\$	\$	\$
Total revenue	-	1,169	590,683
Basic and diluted loss per-share	(0.19)	(0.06)	(0.01)
Net loss and comprehensive loss	(7,806,077)	(1,091,988)	(1,010,516)
Total assets	10,286,835	1,946,051	1,048,906
Total non-current financial liabilities	38,196	30,000	-
Distributions or cash dividends declared	Nil	Nil	Nil

Results of Operations

For the year ended December 31, 2021, the Company incurred a net loss and net comprehensive loss of \$7,806,077, compared to a net loss and comprehensive loss of \$1,091,988 for the year ended December 31, 2020. The increased net loss and comprehensive loss of \$6,714,089 was primarily due to the management share bonus expense of \$5,680,926 and listing cost of \$676,255, as described below.

Revenue

The Company generated revenue of \$nil during the period ended December 31, 2021 and \$1,169 during the year ended December 31, 2020. The revenue in 2020 was from a small one-time order. No revenues were earned in 2021, as the Company was still in the R&D stage, as well, unable to build material quantities of inventory due to a lack of funding and supply chain issues as a result of COVID.

Cost of Finished Goods Sold

During the year ended December 31, 2021, the Company recognized cost of sales of \$45,104 and \$97,542 for the year ended December 31, 2020. The amount expensed in cost of sales in the year is composed of both the provision recorded to bring inventory to the lower of cost and net realizable value and the write off of finished goods and raw materials for items no longer expected to be manufactured and sold. During the year ended December 31, 2021, inventory adjustments related obsolescence of \$45,104 which was expensed within cost of sales (2020 - \$97,542).

Gross Profit

The Company did not realize any gross profit for the years ended December 31, 2021 and 2020. This was due to not recording any revenues in 2021, as noted above.

Operating Expenses

For the year ended December 31, 2021, total operating expenses increased to \$8,413,470 from \$1,631,692 for the year ended December 31, 2020, and detailed as follows:

Expenses	2021	2020
Research and development	\$ 972,178	\$ 887,281
Sales and marketing	15,873	4,207
General and administration	6,328,167	284,347
Depreciation of property and equipment	18,112	22,186
Listing cost	676,255	-
Stock based compensation	402,885	433,671
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	\$8,413,470	\$1,631,692

Research and development costs include, building prototypes, certification, testing, salaries of personnel working on the projects, and consultants' fees. The increase in sales and marketing was due to costs for building a website, developing and printing of marketing material in anticipation of listing on a stock exchange. The \$6,043,820 increase in general and administration was due, in part, to the issuance of 18,000,000 Common Shares issued to certain management and employees pursuant to a management bonus entitlement, which was payable upon the completion of the Qualifying Transaction. In connection with the Qualifying Transaction, the Company incurred non-cash listing costs which consisted of the fair value of Common Shares retained by the former shareholders of SPARQ and Compensation Options issued to the Agent.

Liquidity

As at December 31, 2021, the Company had working capital of \$9,639,391 (2020 - \$1,847,860). The increase in working capital resulted from the Offering. The Company is in a pre-revenue stage so is not therefore able to generate sufficient amounts of cash and cash equivalents from its operations in the short term to meet its planned growth.

Cash used in operating activities during the year ended December 31, 2021 was \$906,145 compared to \$332,141 for the year ended December 31, 2020. The cash inflows from operating activities mainly related to non-cash expenses of \$6,766,374 and from non-cash working capital changes of \$133,558. Cash outflows from operating activities mainly relate to a net loss for the period of \$7,806,077.

Cash gained from financing activities during the year ended December 31, 2021 was \$8,727,559, being net proceeds of \$8,707,559 from the Offering and \$20,000 from loan proceeds (compared to \$1,623,901 in 2020, primarily from shareholder advances).

Cash used in investing activities during the year ended December 31, 2021 included \$165,726 in cash acquired on completion of the Qualifying Transaction, which amount was reduced by \$36,045 to acquire equipment.

Capital Resources

The Company regularly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at December 31, 2021, the Company had a cash balance of \$9,297,999 and working capital of \$9,639,391.

As of the date of this MD&A, the Company's current resources are sufficient to settle its current liabilities for at minimum the next 12 months.

Management will continue to raise the capital necessary to execute on its business objectives and believes the current resources available will provide for operations and fundraising activities barring any unforeseen delays or complications.

Selected Quarterly Information

The following table summarizes the Company's financial information for the last eight quarters:

Financial Results	Q4 2021 \$	Q3 2021 \$	Q2 2021 \$	Q1 2021 \$	Q4 2020 \$	Q3 2020 \$	Q2 2020 \$	Q1 2020 \$
Revenue	-	-	-	-	393	700	76	-
Gross Profit (Loss)	(19,894)	(2,014)	(11,509)	(11,687)	(31,373)	(29,356)	(2,453)	(33,191)
Total Expenses	6,587,873	462,232	446,139	264,729	727,980	327,752	262,573	313,387
Net Income (Loss)	(6,919,623)	(372,756)	(351,685)	(162,013)	(533,463)	(205,298)	(95,559)	(257,668)
Basic profit (loss) per share	(0.16)	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.01)	(0.02)
Fully-diluted profit (loss) per share	(0.16)	(0.01)	(0.01)	(0.00)	(0.02)	(0.01)	(0.01)	(0.02)

The Company's level of activity and expenditures during a specific quarter have been influenced by the availability of working capital, the availability of additional external financing and the status of projects and level of expenditures required to complete them. Given the past start up phases of the Company, there has been no seasonality factors or other trends that have affected the quarterly results.

Proposed Transactions

As at the date of this MD&A there are no proposed transactions.

Off-balance Sheet Arrangements

As at the date of this MD&A, 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 results of operations or financial condition of the Company.

Transactions Between Related Parties

- As at December 31, 2021, accounts payable and accrued liabilities included \$181,620 (2020 - \$nil) payable to certain shareholders of the Company, which are non-interest bearing, unsecured and due on demand.

- During the year ended December 31, 2020, the Company converted \$2,989,700 of unsecured advances from shareholders into SPARQ Shares. These advances were non-interest bearing and due on demand.
- During the year ended December 31, 2021, the Company paid \$140,000 (2020 - \$132,999) for consulting services provided by PE Consultants Inc., an entity which is controlled by Praveen Jain. These expenses have been recorded in research and development and general and administrative expenses.
- Transactions with related parties are incurred during the course of normal operations and initially recorded at fair value. Key management includes directors and officers of the Company. Compensation awarded to key management was comprised of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Short-term compensation	140,000	132,999
Management share bonus	3,787,284	-
Share-based payments	402,885	433,671
Total	4,330,169	566,670

Risks and Uncertainties

The Company's business is subject to a number of risk factors which are described in the Filing Statement. See "Forward-looking Statements" above.

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

Credit Risk

Credit risk is the risk of a potential loss to the Company if one party of a financial instrument fails to meet its contractual obligations. The maximum credit exposure as at December 31, 2021 and December 31, 2020 relates to the carrying amount of cash and cash equivalents, accounts receivable, investment tax credit recoverable, and government assistance receivable. To reduce credit risk, all significant cash balances are placed with major financial institutions.

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The maximum exposure to credit risk is the carrying value of the accounts receivable. The Company does not normally require a guarantee. The largest one customer represented an aggregate of \$nil (2020 - 1,092 (93%)) of the Company's billings for the year ended December 31, 2021. As at December 31, 2021, 0% of the Company's accounts receivable were comprised of outstanding balances from these customers (2020- 34%).

The Company's expected credit loss allowance is estimated using historical loss information, current industry conditions and payment practices, as well as reasonable and supportable forecasts of future economic conditions. Credit risk is assessed based on days outstanding and utilizes both internal credit assessments and publicly available credit information. As a result, the allowance reflects anticipated effects caused by recent market deterioration. As at December 31, 2021, the current expected credit loss allowance was \$nil (2020 - \$25,103).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity

at all times to settle obligations and liabilities when due. The Company has the following contractual obligations:

	Less than 1 Year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	607,440	-	-	-	607,440
Term loan	-	38,196	-	-	38,196
December 31, 2021	607,440	38,196	-	-	645,636

	Less than 1 Year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	76,120	-	-	-	76,120
Term loan	-	30,000	-	-	30,000
December 31, 2020	76,120	30,000	-	-	106,120

Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial liabilities are non-interest bearing as at December 31, 2021 and December 31, 2020, and therefore the Company is not exposed to interest rate risk.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk from various currencies, primarily the US dollar. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in a currency other than the Canadian dollar, which is the functional currency of the Company.

The Company's primary objective in managing its foreign exchange risk is to preserve sales values and cash flows and reduce variations in performance. Although management monitors exposure to such fluctuations, it does not employ any external hedging strategies to counteract the foreign currency fluctuations.

The following amounts were denominated in foreign currency:

	Currency	December 31, 2021	December 31, 2020
Cash	US Dollar	\$ 2,744	\$ 91,864
Accounts Receivable	US Dollar	\$ 5,685	\$ -
Accounts Payable	US Dollar	\$ 121,834	\$ 10,768

On December 31, 2021, an increase of 1% in the value of US dollar will result in a gain of \$35 (2020 - \$1,170) in the value of cash, \$72 (2020 - \$nil) in accounts receivable and loss of \$1,545 (2020 - \$137) in accounts payable. Similarly, a decrease of 1% in the value of US dollar will have similar effects but in opposite direction.

Critical Accounting Estimates

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are

determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Valuation of Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carryforwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Going Concern Risk Assessment

The assessment of the Company's ability to continue as a going concern and meet its liabilities for the ensuing year involves significant judgment based on expectation of future events that are believed to be reasonable under the circumstances.

Valuation of Research and Development Costs and Tax Credits

The Company claims investment tax credits as a result of incurring scientific research and experimental development expenditures. Investment tax credits are recognized when the related expenditures are incurred, and there is reasonable assurance of their realization. Management has made a number of estimates and assumptions in determining the expenditures eligible for the investment tax credit claim. The Company's claim is subject to audit by Canada Revenue Agency who may allow more than the amount recorded or may disallow all or a portion of the amount recorded.

Fair Value of Stock Options

Stock-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, interest rate, and rate of forfeitures and making assumptions about them. Expected volatility is estimated using price history of comparable companies that are publicly listed over the expected life of the options granted.

Expected Credit Losses

The Company's accounts receivables are typically short-term in nature, with the exception of holdbacks and the Company recognized an amount equal to the lifetime expected credit losses ("ECLs"). The Company measures ECLs based on historical experience and forecasted economic conditions. The amount of the ECLs is sensitive to changes in future circumstance and economic conditions.

Valuation of Inventory

The Company's inventory is valued at the lower of average cost or net realizable value and management makes an estimate for any item that cannot be sold. If realization of inventory values differs from estimates, future earnings would be affected.

New Accounting Standards and Interpretations Not Yet Adopted

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 1, Presentation of Financial Statements IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37, Provisions, Contingent Liabilities, and Contingent Assets IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets was amended May 14, 2020. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16, Property, Plant and Equipment IAS 16 – Property, Plant and Equipment was amended on September 20, 2020. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022. The Company is currently assessing the impact of adopting these pronouncements.

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of Common Shares. The Company has the following securities issued and outstanding as at the date of this MD&A:

Securities	Number Outstanding
Common Shares	82,444,752
Options ⁽¹⁾	5,412,000
Warrants ⁽²⁾	20,000,000
Compensation Options ⁽³⁾	1,258,250

Notes:

(1) Consists of: (i) options to purchase up to 112,000 Common Shares at a price of \$0.25 per share granted to former directors and officers of the Company prior to the completion of the Qualifying Transaction; and (ii) options to purchase up to 5,300,000 Common Shares at a price of \$0.50 per share granted to current directors and officers of the Company.

(2) Issued upon the conversion of the Subscription Receipts that were issued pursuant to the Offering. Each Warrant is exercisable into one Common Share at a price of \$0.75 per share for a period of 24 months from the date of issuance.

(3) Issued to the Agent and members of the selling group as partial compensation for their services provided in the Offering. Each Compensation Option is exercisable into one Common Share and one Warrant, with each such Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.75 per share for a period of 24 months from the date of issuance.

Internal Control Over Financial Reporting

Internal control over financial reporting (“ICFR”) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at December 31, 2021, the Company's internal control over financial reporting was effective.

During the year ended December 31, 2021, the Company did not make any significant changes to its internal controls over financial reporting that would have materially affected, or reasonably likely to materially affect, its internal controls over financial reporting.

The Company's management believe that due to inherent limitations, any disclosure controls and procedures or internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating controls and procedures.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Approval

The Board of Directors has approved the disclosure contained in this MD&A.