



Management's Discussion and Analysis
For the years ended December 31, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Targeted Microwave Solutions Inc. (the "Company") provides analysis of the Company's financial results for the year ended December 31, 2019. The following information should be read in conjunction with the accompanying consolidated financial statements and notes for the year ended December 31, 2019. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Board of Directors of the Company have approved the information and disclosures contained in this MD&A. This MD&A is dated as at May 7, 2020, and as of this date, there were 128,024,439 common shares issued and outstanding, no stock options outstanding and no warrants outstanding. All figures are in United States dollars unless otherwise noted. References to "C\$" are to Canadian dollars. Additional information relating to the Company is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact contained herein, the information presented in this MD&A constitutes "forward-looking statements" or "information" (collectively "forward-looking statements"). These statements relate to analyses and other information that are based upon forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements". Such forward-looking statements include, but are not limited to, those with respect to: the benefits of and development and commercialization, if at all, of the Company's microwave technology; financial information regarding the Company and/or its availability and use of funds; the Company's research into the drying potential of its microwave application to natural mineral aggregates, other naturally occurring raw materials and processed feedstock; demand for electricity generation; the status of environmental and other regulation; the timing, completion or benefits of any joint venture or similar arrangement; the effectiveness of new improvements in the Company's Generation 2.0 reactors and the Company's new Generation 3.0 reactors; and other factors and events described herein.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual plans, results, performance or achievements of the Company to be materially different from any future plans, results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others: limited operating history; financing risks; shareholder influence; technical issues and delays; commercial viability of processed industrial materials; negative results of technology testing and development; commercial acceptance; construction of commercial plants; management of growth; joint ventures; relationships with strategic partners; foreign operations; foreign subsidiaries and repatriation of earnings; technology and protection of intellectual property; invalidation of patents; intellectual property infringement; environmental and safety regulations and risks; dependence on key management personnel, employees and consultants; anti-bribery and anti-corruption; capital cost estimates; increased demand for services and equipment; competition; currency fluctuations; natural and human caused disasters; litigation; possible conflicts of interest of directors and officers of the Company; market price and listing of common shares; regulatory risks; tax exposures; changes in laws and regulations; uninsurable risks; current global financial conditions; and other factors discussed under the heading "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this MD&A.

Forward-looking statements are made based upon Management's beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update any forward-looking statement

if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law.

COMPANY BACKGROUND AND DESCRIPTION OF THE BUSINESS

The Company is a microwave process developer specializing in clean emission, high-throughput industrial drying solutions. Industrial drying is a vital manufacturing process used by heavy industry to transform bulk aggregates such as minerals, biomass and fossil fuels into finished commercial products. The prevailing industrial drying technology in the market today is the fossil-fuel combustion rotary kiln. This technology generates heat by combusting fossil fuels such as coal, bunker fuel and natural gas, which results in the production of polluting carbon emissions. It is generally accepted that increasingly stringent environmental regulations are having a dramatic impact on the competitiveness and profitability of the industrial sector worldwide. The Company believes that the market for a clean emission, digital drying technology represents a global economic opportunity.

The Company's microwave drying technology represents a challenge to the dominance of fossil-fuel combustion dryers in the market. Unlike rotary kilns for example, the Company's drying technology generates minimal to no fossil fuel combustion emissions. Instead, the Company uses digital microwave heating processes within a proprietary, vertical chamber system, to dry industrial materials on a continuous basis being developed to perform at a high throughput capacity. The Company believes that its technology has the potential to deliver a safer, higher efficiency and more controllable drying process that will allow the heavy industrial sector to challenge the mainstream narrative that large-scale industry is incompatible with responsible, environmental policy.

The core of the Company's technology is a proprietary microwave delivery and process control system designed to achieve uniform moisture reduction across a wide range of industrial aggregates, including those with challenging bulk densities, particle sizes and flow characteristics. Unlike conventional thermal drying technologies, the Company's process generates heat within the input material, as opposed to wasting energy by first heating the environment around the target material. This unique approach allows for significantly cooler ambient temperatures during processing, which helps substantially mitigate combustion risk and prevents the unwanted release of volatile gases that generate polluting greenhouse emissions. In initial continuous trials conducted at the Company's commercial demonstration facility in King William, Virginia (the "**King William Plant**"), the Company's system has shown heat transfer efficiency rates better than competing conventional thermal drying technologies. Additionally, the Company's microwave drying solutions use power only when needed and can be turned on or off almost instantaneously, making the process compatible for automatic control and real-time calibration based on key control factors, such as moisture targets, microwave power levels and feed rate.

The Company's current "Generation 3.0" system, which was installed at the King William Plant in November 2016, is designed to occupy a small footprint and integrate easily into a variety of manufacturing operations and can deliver up to 2,500 kilowatts of concentrated 0.915 gigahertz microwave power to a variety of target feedstocks (such as industrial minerals, low-rank coal and wood chips) on a continuous feed basis. Despite its light-industrial characteristics, the Company's Generation 3.0 system can achieve processing throughput rates traditionally associated with heavy industrial equipment by utilizing a proprietary vertical processing design and in-house processing controls software. The Company has run a variety of processing trials of low-rank coal, wood biomass, and industrial clay and aims to work with industry partners in an effort to commercialize its technology.

Currently, the Company has suspended all operations (including research and testing at the King William Plant), closed its U.S. offices, terminated all employee personnel and disposed of the King William Plant.

Due to the Company's current challenges, the Company will continue to prioritize the restructuring and settlement of the Company's debt and liabilities. As part of this process, securing access to capital will continue to drive the Company's decision-making process with respect to go-forward business opportunities. In 2020, the Company will continue looking outside its traditional core focus area of microwave drying in order to pursue potential sources of revenue and funding partners.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires that the Company's management makes assumptions and estimates of effects of uncertain future events on carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's consolidated financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company is also required to make critical judgements in applying certain of the Company's accounting policies.

The significant assumptions about the future or other major sources of estimation uncertainty or application of judgement in applying the Company's accounting policies at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Plant, equipment and leasehold improvements

In determining the carrying values of plant, equipment and leasehold improvements, management makes estimates and uses judgment in the completion of construction, accumulation and allocation of costs of construction, service dates and estimating the economic useful lives of the assets. Prior to the plant being capable of operating at levels intended by management, costs incurred are capitalized and not depreciated until this milestone is met.

Depreciation

Depreciation amounts have been calculated based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate useful life and salvage value of the assets. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current knowledge. Significant changes in estimates could result in changes to depreciation from period to period.

Functional currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operations. The Company has determined the functional currency of each entity is the US dollar. Determination of the functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and/or conditions.

Share-based payments

The Company measures the cost of cash and equity settled transactions with employees and non-employees by reference to the fair value of the related instrument at the date in which they are granted and fair value of services, respectively. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. In addition, the option pricing models used requires management to make various estimates and assumptions in relation to the expected life of the awards, volatility and forfeiture rates. Expected volatility is based on the trading history of the Company. Given the limited trading history of the Company, the historical volatility of similar companies with adequate trading history was also used in the determination.

Loans payable

The Company is required to measure loans payable at fair value at inception. Estimating fair value for the loans requires the use of a discount rate and determining this rate is subject to judgement considering the

Company does not have third party debt or an established credit rating. As the loans payable have been issued at below-market rates of interest, a difference results between the fair value of the loans payable and the proceeds received. The determination of the fair value impacts the amount recorded as loan payable, the amount credited as a shareholder contribution to share-based payment reserve and also impacts the related non-cash interest expense.

Contingencies

Due to the nature of the Company's operations, various legal matters can arise from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

Provisions

Management's judgment is required to determine amounts to be recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions. Provisions are the best estimate of the expenditure required to settle the obligation at the reporting date.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended December 31, 2019. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to debt repayment schedules and potential sources of financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on cash flow forecasts and potential access to financing for the future twelve months.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable to the Company are excluded from this note.

The following pronouncements have been adopted effective January 1, 2019:

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 to replace the previous lease's Standard, IAS 17, *Leases*, and Related Interpretations. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to the current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 was adopted effective January 1, 2019 and resulted in no significant adjustments as the Company had no leases as of December 31, 2019 or 2018.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB released IFRIC 23, Uncertainty over income tax treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 was adopted effective January 1, 2019 and resulted in no significant adjustments.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table includes selected consolidated financial data, prepared in accordance with IFRS, for the years 2019, 2018 and 2017. All amounts in this MD&A are in US dollars, except where otherwise noted. The Company discusses the factors that caused its results to vary over the past two years throughout this MD&A.

	2019	2018	2017
	\$	\$	\$
Operating expenses	189,370	406,245	3,615,134
Other expenses (income)	(5,341)	(1,445)	3,229,668
Net loss and comprehensive loss	184,029	404,800	6,844,802
Net loss attributable to shareholders of the company	184,029	404,800	6,837,518
Loss per share	(0.00)	(0.00)	(0.15)
Total assets	48,784	27,017	372,905
Total long-term financial liabilities	-	-	-
Cash dividends declared	-	-	-

The Company has not generated any revenue for the years 2019, 2018 and 2017. The Company has not paid dividends on its common shares and does not anticipate declaring any dividends in the near future.

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RESULTS OF OPERATIONS: YEAR END RESULTS

The table below summarizes selected financial information from the Company's consolidated financial statements for the year ended December 31, 2019, compared to the year ended December 31, 2018.

	Year ended December 31	
	2019	2018
	\$	\$
Operating expenses	189,370	406,245
Other income	(5,341)	(1,445)
Net loss and comprehensive loss	184,029	404,800
Net loss attributable to shareholders of the company	184,029	404,800
Loss per share	(0.00)	(0.00)

During the year ended December 31, 2019, the Company's primary focus was on reducing Company overhead, pursuing financing options and formulating potential go-forward strategies for the Company. Research and development costs were both \$nil during the year ended December 31, 2019 and 2018.

Operating Expenses

Operating expenses for the year ended December 31, 2019 compared to the year ended December 31, 2018 are as follows:

	Year ended December 31	
	2019	2018
	\$	\$
Consulting, management and director fees	97,808	175,893
Foreign exchange gain	(2,087)	(4,090)
Office, rent and other	27,927	93,090
Investor relations, filing and compliance fees	23,129	45,374
Professional fees	20,047	20,658
Share-based compensation	-	2,671
Interest expense	22,546	72,649
Total	189,370	406,245

Consulting, Management and Director Fees

Consulting, management and director fees decreased by \$78,085 to \$97,808 for the year ended December 31, 2019 from \$175,893 for the comparable period in 2018. The decrease in these fees for the year ended December 31, 2019 compared to the prior year is primarily attributable to a reduction in the Company's consulting fees in the year ended December 31, 2019 for operational advisory services which were not incurred in 2019.

Foreign Exchange Gain

The foreign exchange gain decreased by \$2,003 to \$(2,087) for the year ended December 31, 2019 from a gain of \$(4,090) for the comparable period in 2018. The decrease in the foreign exchange gain for the year ended December 31, 2019 compared to the prior year is primarily attributable to the change in the Canadian/U.S. foreign exchange rates on vendor balances owing, sales tax receivable balances as well as Canadian dollar denominated bank balances.

Office, Rent and Other

Office, rent and other expenses decreased by \$65,163 to \$27,927 for the year ended December 31, 2019 from \$93,090 for the comparable period in 2018. The decrease in these expenses for the year ended December 31, 2018 compared to the prior year was primarily related to decreased spending in office expenses and overhead (e.g. insurance, internal accounting and bookkeeping, telephone, cell phones, office supplies).

Investor Relations, Filing and Compliance Fees

Investor relations, filing and compliance fees decreased by \$22,245 to \$23,129 for the year ended December 31, 2019 from \$45,374 for the comparable period in 2018. The decrease in these fees for the year ended December 31, 2019 compared to the prior year is primarily attributable to the overall reduced spending on investor relations in 2019 and the release of a prepaid cost in relation to an international investor relations campaign which was expensed in the period ended June 30, 2018.

Professional Fees

Professional fees decreased by \$611 to \$20,047 for the year ended December 31, 2019 from \$20,658 for the comparable period in 2018. The decrease in these fees for the year ended December 31, 2019 compared to the prior year is primarily attributable to the reversal of over-accrued 2018 audit fees that resulted in a benefit in 2019, which was offset by increased legal fees in 2019 associated with general corporate matters, the non-brokered private placement and debt settlement transactions. In 2018, over-accrued legal fees that were accrued in 2017 and reversed in 2018 also resulted in a benefit due to the reversal.

Share-Based Compensation

Share-based compensation decreased by \$2,671 to \$nil for the year ended December 31, 2019 from \$2,671 for the comparable period in 2018. The decrease in share-based compensation for the year ended December 31, 2019 compared to the prior year is attributable to the number of instruments granted in a period, the fair value of those instruments and the vesting terms. There were no options granted or vested in 2019. Also, there were no options granted in 2018 with 37,500 options that vested in 2018.

Interest Expense

Interest expense decreased by \$50,103 to \$22,546 for the year ended December 31, 2019 from \$72,649 for the comparable period in 2018. The decrease in interest expense for the year ended December 31, 2019 compared to the prior year is primarily attributable to the conversion of a portion of the Company's loans on May 17, 2019 which resulted in a lower loan balance subject to interest for the majority of 2019.

Other Expenses (Income)

Other expenses (income) for the year ended December 31, 2019 compared to the year ended December 31, 2018 are as follows:

	Year ended December 31	
	2019	2018
	\$	\$
Gain on settlement of accounts payable	-	(13,672)
Other income	(5,341)	-
Fair value change in derivative liability	-	(7,773)
Loss on disposal of assets	-	20,000
Total	(5,341)	(1,445)

Other income increased by \$3,896 to \$(5,341) for the year ended December 31, 2019 from \$(1,445) for the comparable period in 2018. The increase in other income for the year ended December 31, 2019 compared to the same period last year is primarily attributable to the recognition of sales tax receivables previously expected to not be recoverable in 2019. This increase was offset by the loss on disposal recognized on the King William Plant recognized in 2018.

Net Loss

Due to the factors set forth above, net loss decreased by \$220,771 to \$184,029 for the year ended December 31, 2019 from \$404,800 in the comparable period last year. **Net Loss Attributable to Shareholders of the Company**

Due to the factors set forth above, net loss attributable to shareholders of the Company decreased by \$220,771 to \$184,029 for the year ended December 31, 2019 from \$404,800 for the comparable period last year.

Net Loss Attributable to Non-Controlling Interests

The net loss attributable to non-controlling interests for the year ended December 31, 2019 and 2018 was \$nil and \$nil, respectively, for the 49% non-controlling interest in Targeted Microwave Solutions Hong Kong Limited not held by the Company's shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Company generally manages its liquidity risk by preparing cash flow forecasts and anticipating investing and financing activities. Management and the Board are involved in the review, planning and approval of budgets and significant expenditures and commitments (refer to section below on liquidity risk).

As at December 31, 2019, the Company had a consolidated cash balance of \$43,471 (December 31, 2018 - \$1,068). At present, the Company is actively seeking additional financing in the form of debt or equity (or both) to fund potential go forward options and to settle existing obligations. Should the Company be unsuccessful in raising funds, it may not be able to fund future growth or satisfy the existing financial obligations as noted in note 2(c) of the consolidated financial statements.

On May 17, 2019, the Company closed a shares-for-debt transaction ("**Debt Settlement**") to settle C\$500,000 owed by the Company to Claredon Capital Corp. (formerly Lornex Financial Group Inc.) in exchange for 10,000,000 common shares at a price of C\$0.05 per common share in lieu of cash repayment. The Debt Settlement remains subject to approval from the TSX-V, and as such, the common shares have not yet been issued. As at December 31, 2019, the Debt Settlement is reported within loans payable at an amount of \$371,250 and will be reclassified to equity once the shares have been issued. The US dollar to Canadian dollar foreign exchange rate used for this transaction was 1.3468 (note 7). Claredon Capital Corp. is controlled by the CEO.

On May 17, 2019, the Company closed a non-brokered private placement ("**Private Placement**") to raise proceeds of C\$250,000 in exchange for 5,000,000 common shares at a price of C\$0.05 per common share. The Private Placement remains subject to approval from the TSX-V, and as such, the common shares have not yet been issued. The Company intends to use the proceeds from the Private Placement to repay indebtedness and for general working capital purposes. As at December 31, 2019, the Private Placement is reported within loans payable at an amount of \$185,626 and will be reclassified to equity once the shares have been issued. The US dollar to Canadian dollar foreign exchange rate used for this transaction was 1.3468.

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Cash Flows

The table below sets forth a summary of cash flow activity and should be read in conjunction with the Company's cash flow statements:

	2019	2018
	\$	\$
Cash outflow from operating activities	(143,223)	(467,602)
Cash outflow from investing activities	-	-
Cash inflow from financing activities	185,626	467,225
Increase (decrease) in cash during the year	42,403	(377)
Cash, beginning of year	1,068	1,445
Cash, end of year	43,471	1,068

The cash flow deficit from operating activities for the year ended December 31, 2019 improved by \$324,379 to \$(143,223) compared to \$(467,602) for the prior year. The cash flow deficit from operating activities represents cash flows from net losses, excluding expenses not affecting cash, principally accrued interest, share-based compensation expense, accretion expense and other finance expenses in addition to net changes in non-cash balances relating to operations.

Cash used for investing activities were both \$nil for the year ended December 31, 2019 and 2018. During the year ended December 31, 2019 and 2018, the Company did not invest in the acquisition of plant and equipment (or other capital assets).

Cash flows generated from financing activities were \$185,626 and \$467,225 for the year ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Company closed a non-brokered Private Placement to raise proceeds of C\$250,000 (\$185,626). During the year ended December 31, 2018, the Company received \$481,000 in loan proceeds from related parties for working capital purposes which was reduced by share-issuance costs of \$13,775.

QUARTERLY INFORMATION

The following table presents the unaudited summarized financial information for the last eight quarters:

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	F2019	F2019	F2019	F2019	F2018	F2018	F2018	F2018
	\$	\$	\$	\$	\$	\$	\$	\$
Operating expenses	9,792	28,519	70,160	80,899	212,781	87,295	52,242	53,926
Other expenses	12,881	-	-	(18,222)	(13,672)	-	15,875	(3,647)
Loss before income taxes	22,673	28,519	70,160	62,677	199,109	87,295	68,117	50,279
Income Taxes	-	-	-	-	-	-	-	-
Net loss	22,673	28,519	70,160	62,677	199,109	87,295	68,117	50,279
Non-controlling interest	-	-	-	-	-	-	-	-
Net loss attributable to shareholders of the Company	22,673	28,519	70,160	62,677	199,109	87,295	68,117	50,279
Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The quarterly fluctuations in net loss are generally correlated to the consulting and professional expenses associated with the potential go-forward strategies of the Company, the disposal of the Company's King William Plant assets and the amount of interest-bearing debt held by the Company per period. Net loss is also impacted by the non-cash fluctuations in the fair value of derivative liabilities in the period, non-cash impairment losses, share based compensation and the Company's corporate costs associated with investor relations and executive compensation (among other operating expenses).

FOURTH QUARTER ANALYSIS

The table below summarizes selected financial information for the three months ended December 31, 2019, compared to the three months ended December 31, 2018.

	Three months ended December 31	
	2019	2018
	\$	\$
Operating expenses	9,792	212,781
Other expenses (income)	12,881	(13,672)
Net loss and comprehensive loss	22,673	199,109
Net loss attributable to shareholders of the company	22,673	199,109
Loss per share	(0.00)	(0.00)

Research and development costs were both \$nil during the three months ended December 31, 2019 and 2018.

Operating Expenses – Fourth Quarter

Operating expenses for the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are as follows:

	Three months ended December 31	
	2019	2018
	\$	\$
Site supplies, services and other	-	7,560
Consulting, management and director fees	-	92,393
Foreign exchange gain	(575)	(572)
Office, rent and other	6,825	35,600
Investor relations, filing and compliance fees (recovery)	(910)	8,088
Professional fees	1,228	40,948
Interest expense	3,224	28,764
Total	9,792	212,781

Site Supplies, Services and Other – Fourth Quarter

Site supplies, services and other decreased by \$7,560 to \$nil for the three-month period ended December 31, 2019 from \$7,560 for the comparable period in 2018. The decrease in these expenses for the three months ended December 31, 2019 compared to the same period last year is primarily attributable to the recognition of the gain on settlement of accounts payable relating to the reversal of King William site expenses in the fourth quarter of 2018 (settlement of accounts payable was reclassified in the fourth quarter of 2018 from operating expenses to other expenses on the consolidated statements of comprehensive loss).

Consulting, Management and Director Fees – Fourth Quarter

Consulting, management and director fees decreased by \$92,393 to \$nil for the three-month period ended December 31, 2019 from \$92,393 for the comparable period in 2018. The decrease in these fees for the three months ended December 31, 2019 compared to the same period in 2018 is primarily attributable to the Company's executive consulting fees (i.e. fees paid to the CEO), as well as other operational advisory and other consulting services that were not incurred in the three months ended December 31, 2019.

Foreign Exchange Gain – Fourth Quarter

The foreign exchange gain increased by \$3 to \$(575) for the three-month period ended December 31, 2019 from \$(572) for the comparable period in 2018. The nominal increase in the foreign exchange gain for the three months ended December 31, 2019 compared to the prior period is primarily attributable to the change in Canadian/U.S. foreign exchange rates on vendor balances owing, sales tax receivable balances and Canadian dollar denominated bank balances.

Office, Rent and Other – Fourth Quarter

Office, rent and other expenses decreased by \$28,775 to \$6,825 for the three-month period ended December 31, 2019 from \$35,600 for the comparable period in 2018. The decrease in these fees for the three months ended December 31, 2019 compared to the prior year was primarily related to decreased spending in office expenses and overhead (e.g. insurance, internal accounting and bookkeeping, telephone, cell phones, office supplies.).

Investor Relations, Filing and Compliance Fees – Fourth Quarter

Investor relations, filing and compliance fees decreased by \$8,998 to a benefit of \$(910) for the three-month period ended December 31, 2019 from \$8,088 for the comparable period in 2018. The decrease in these fees for the three months ended December 31, 2019 compared to the same period last year is primarily attributable to the overall reduced spending on investor relations in 2019, as well as the reversal of previously accrued OTCQB sustaining fees in the three months ended December 31, 2019, which were ultimately not incurred (resulting in the nominal benefit reported in the fourth quarter of 2019).

Professional Fees – Fourth Quarter

Professional fees decreased by \$39,720 to \$1,228 for the three-month period ended December 31, 2019 from \$40,948 for the comparable period in 2018. The decrease in these fees for the three months ended December 31, 2019 compared to the same period last year is primarily due to the recognition of additional audit fees associated with the 2017 audit which were recorded in the three months ended December 31, 2018 and the reversal of the over-accrued 2018 audit fees resulting in a benefit to professional fees in the three months ended December 31, 2019.

Interest Expense – Fourth Quarter

Interest expense decreased by \$25,540 to \$3,224 for the three-month period ended December 31, 2019 from \$28,764 for the comparable period in 2018. The decrease in interest expense for the three months ended December 31, 2019 compared to the same period last year is primarily attributable to the conversion of a portion of the Company's loans on May 17, 2019 which resulted in a lower loan balance subject to interest in the three months ended December 31, 2019.

Other Expenses (Income) – Fourth Quarter

Other expenses (income) for the three months ended December 31, 2019 compared to the three months ended December 31, 2018 are as follows:

	Three months ended December 31	
	2019	2018
	\$	\$
Gain on settlement of accounts payable	-	(13,672)
Other expense	12,881	-
Total	12,881	(13,672)

Other expense increased by \$26,553 to \$12,881 for the three-month period ended December 31, 2019 from income of \$13,672 for the comparable period in 2018. The increase in other expense for the three months ended December 31, 2019 compared to the same period last year is attributable to the reclassification of the reversal of over-accrued 2018 audit fees (reclassified to professional fees in Q4 2019), which was offset by the gain on the settlement of accounts payable recognized in the fourth quarter of 2018.

Net Loss – Fourth Quarter

Due to the factors set forth above, net loss decreased by \$176,436 to \$22,673 for the three months ended December 31, 2019 from \$199,109 in the comparable period last year.

Net Loss Attributable to Shareholders of the Company – Fourth Quarter

Due to the factors set forth above, net loss attributable to shareholders of the Company decreased by \$176,436 to \$22,673 for the three months ended December 31, 2019 from \$199,109 for the comparable period last year.

Net Loss Attributable to Non-Controlling Interests – Fourth Quarter

The net loss attributable to non-controlling interests for the three months ended December 31, 2019 and 2018 was \$nil and \$nil, respectively, for the 49% non-controlling interest in Targeted Microwave Solutions Hong Kong Limited not held by the Company's shareholders.

Cash Flows – Fourth Quarter

The table below sets forth a summary of cash flow activity and should be read in conjunction with the Company's cash flow statements (quarterly cash flows not separately reported in the Company's consolidated financial statements for the year ended December 31, 2019 and 2018):

	Three months ended December 31	
	2019	2018
	\$	\$
Cash outflow from operating activities	(20,263)	(62,556)
Cash outflow from investing activities	-	-
Cash inflow from financing activities	-	56,000
Decrease in cash during the period	(20,263)	(6,556)
Cash, beginning of period	63,734	7,624
Cash, end of period	43,471	1,068

The cash flow deficit from operating activities for the three months ended December 31, 2019 improved by \$42,293 to \$(20,263) compared to \$(62,556) for the comparable period in the prior year. The cash flow deficit from operating activities represents cash flows from net losses, excluding expenses not affecting cash, principally accrued interest, share-based compensation expense, accretion expense and other finance expenses in addition to net changes in non-cash balances relating to operations.

Cash used for investing activities were both \$nil for the three months ended December 31, 2019 and 2018. During the three months ended December 31, 2019 and 2018, the Company did not invest in the acquisition of plant and equipment (or other capital assets).

Cash flows generated from financing activities were \$nil and \$56,000 for the three months ended December 31, 2019 and 2018, respectively. During the three months ended December 31, 2018, the Company received \$56,000 in loan proceeds from related parties for working capital purposes.

TRANSACTIONS WITH RELATED PARTIES

The Company's related parties include its subsidiaries, key management personnel and entities owned by shareholders. At December 31, 2019, the Company owed a total of \$42,120 (December 31, 2018 - \$39,334) to an officer and a related company which was included in accounts payable. These amounts were unsecured, non-interest bearing and have no fixed terms of repayment.

The Company received loans from related parties and owed a total of \$527,423 of principal and accrued interest at December 31, 2019 (December 31, 2018 - \$505,664).

Compensation paid or payable to the Company's directors and key management for services provided during the year ended December 31, 2019 and 2018 is reported in the table below. Key management is defined by the Company as the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), Chief Technology Officer ("CTO") and their controlled companies.

On November 1, 2018, Gurminder Sangha was appointed as CEO and Director of the Company and was the only member of key management that was compensated during the year ended December 31, 2019. The 2018

officer compensation includes only those amounts from November 1, 2018 for the CEO, which was the date of his appointment.

	2019	2018
Consulting, management, directors and professional fees	\$ 82,500	\$ 45,000
Share-based compensation	-	2,671
	\$ 82,500	\$ 47,671

During the period ended December 31, 2019, the Company incurred \$nil of director fees (December 31, 2018: \$15,000).

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial obligations as at December 31, 2019:

	Within 1 year	2 to 5 years	Over 5 years	December 31, 2019	December 31, 2018
Accounts payable and accrued liabilities	\$ 153,104	\$ -	\$ -	153,104	\$ 154,693
Loan repayments	713,049*	-	-	713,049	505,664
	\$ 866,153	\$ -	\$ -	\$ 866,153	\$ 660,357

**Within the loan repayment amount of \$713,049, \$556,876 will be converted to equity once the shares have been issued (refer to note 6 of the Company's consolidated financial statements).*

FINANCIAL INSTRUMENTS RISK AND EXPOSURE

The Company is exposed to a variety of financial risks as a result of operations, including market risk, credit risk and liquidity risk. The overall risk management strategy seeks to reduce potential adverse effects on the financial performance. Risk management is carried out under policies approved by the Board of Directors. The risks associated with the financial instruments and the policies on how these risks are mitigated are set out below.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations and commodity and equity prices. Market conditions can cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company's ability to raise capital to fund activities is subject to risks associated with fluctuations in the market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The Company is not exposed to significant interest rate risk as the Company has no variable interest debt.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from holding cash with major financial institutions. Cash is held in highly-rated financial institutions and risk of loss is considered to be low. At December 31, 2019, the maximum exposure to credit risk is \$43,471 (December 31, 2018 - \$1,068).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or sales from contracts, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by preparing and reviewing forecasted expenditure and cash flow budgets. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further development of the Company's projects.

The Company had a consolidated cash balance of \$43,471 as at December 31, 2019 (December 31, 2018 - \$1,068) with a working capital deficit of \$817,369 (December 31, 2018 – working capital deficit of \$633,560). As such, the Company is exposed to liquidity risk. In order to address this liquidity risk, the Company is actively seeking additional financing in the form of debt or equity (or both). Should the Company be unsuccessful in raising funds, it may not be able to satisfy its existing financial obligations or fund future growth. The Company's current ongoing working capital requirements have been significantly reduced due to the implementation of the cost reduction strategy and the elimination of all remaining Company staff. Further, in 2018 and 2019, the Company converted certain of its loans payable balance to equity, which improved the working capital deficit.

Currency Risk

Currency risk is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in foreign currency rates. Financial instruments are exposed to currency risk where those instruments are denominated in currencies that are not the same as the functional currency of the entity that holds them which results in exchange gains and losses which may impact net income or loss.

The Company is exposed to foreign currency risk on fluctuations related to cash, sales tax and other receivables, accounts payable and accrued liabilities that are denominated in Canadian dollars. The following are the most significant areas of exposure to currency risk, shown in U.S. dollars.

	2019	2018
Cash	\$ 43,746	\$ 66
Sales tax and other receivables	5,236	19,499
Accounts payable and accrued liabilities	(51,972)	(75,488)
	\$ (3,990)	\$ (55,923)

During the year ended December 31, 2019, the Company recognized a foreign exchange gain of \$2,087 (period ended December 31, 2018 – gain of \$4,090). Management does not hedge its exposure to foreign exchange risk. Management will continue to review its foreign denominated balances to determine the appropriate holdings to naturally hedge its Canadian dollar expenses.

Fluctuations in foreign currency exchange rates can impact marginally on the value of cash, sales tax receivables, accounts payable and accrued liabilities. A 10% variation in the US Dollar would result in a fluctuation of approximately \$400 on net income/loss.

OTHER RISK FACTORS AND UNCERTAINTIES

The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition which could cause them to differ materially from estimates described in forward-looking statements relating to the Company.

Limited Operating History

The Company was incorporated in April 2015 and has limited operations. The Company's proposed business strategies incorporate its senior management's current best analysis of the Company's potential markets, opportunities and the difficulties that it faces. No assurance can be given that the underlying assumptions accurately reflect current trends in its industry, terms of possible project investments, that the Company will successfully develop any products, its potential customers' reactions to any such products or that such

products will be successful. Its business strategies may and likely will change substantially from time to time as the Company's senior management reassesses its opportunities and reallocates its resources, and any such strategies may be changed or abandoned at any time. If the Company is unable to develop or implement these strategies through its projects and its technology, it may never achieve profitability, which could impair the Company's ability to continue as a going concern. Even if the Company does achieve profitability, it may not be sustainable and management cannot predict the level of such profitability.

Financing Risks

The Company may not have sufficient funds to conduct further testing and development as may be necessary to successfully commercialize its technology. While the Company may generate additional working capital through further equity offerings or related party loans, there is no assurance that any such funds will be available on terms acceptable to the Company, or at all. If available, future equity financing may result in substantial dilution to shareholders. At present, it is not possible to determine with any certainty what amounts of additional funds, if any, may be required. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future.

Technical Issues and Delays

As the Company develops, refines and implements its technology, it may have to solve technical, manufacturing, construction and/or equipment-related issues. Because the Company's technology is under development, some of these issues may be unanticipated. If the Company must revise existing processes, hire or retain additional staff or contractors or order specialized equipment to address a particular issue, it may not meet its projected timetables for further developing or commercializing its technology. Such delays may interfere with projected construction or operating schedules and delay receipt of, or result in the loss of, revenues from operations.

Commercial Viability of Processed Raw Materials

The Company does not yet know whether raw material processed using its technology can be produced and sold on a commercial basis in a cost effective manner. Because the Company has not established any full scale commercial operation, it has not yet fully developed an efficient cost structure or revenue model. The Company is currently using the estimates for anticipated pricing and costs, as well as the qualities of the raw materials processed in the testing facility (including at the Virginia Facility) and laboratory setting, to make such estimates. The Company may experience technical problems that could make the processed raw material more expensive than anticipated. Failure to address both known and unforeseen technical challenges may materially and adversely affect the Company's business, results of operations and financial condition.

Negative Results of Technology Testing and Development

The Company has been evaluating the attributes of raw material processed using its technology on a laboratory scale and, since completion of the Virginia Facility, on a limited size commercial scale. The Company does not currently know if or to what extent these or future evaluations will result in positive findings concerning the moisture content, heat value, emission-levels, burn qualities or other aspects of its processed raw materials. Furthermore, even if the Company's evaluations indicate that raw materials processed using its technology perform to design specifications, the Company does not know if later tests or larger scale processing will confirm these results or that the processed materials will be readily accepted by the market. The process of introducing its technology into the market may be further delayed if these tests do not produce the expected results or if potential customers conduct their own tests of the processed raw materials to determine whether it meets their individual requirements and the results are not acceptable. The Company has historically conducted a number of tests of the technology using a variety of feedstocks in its current and former facilities. The ability to use feedstocks from other locations in the United States or overseas will depend on the results of future tests on different types of raw materials. If these tests limit the range of viable raw materials feedstocks for use in the Company's process, site locations for future plants may be limited and the commercial appeal of the process may be less than anticipated. If this continuing process of evaluation and market introduction results in negative findings concerning the technology, it could have a material adverse effect on the

marketability of the technology and on the Company's financial condition, results of operations and future prospects.

There is no assurance that the King William Plant will perform as expected, or that further additional costs will not be required to help the King William Plant perform, or continue to perform, as expected.

Commercial Acceptance

While the Company believes that a commercial market will develop for its products, the Company may face the following risks, among others, due to the developing market for industrial drying technologies:

- limited pricing information;
- unknown costs and methods of transportation to bring processed raw materials to market;
- the cost and availability of emissions-reducing equipment or competing technologies;
- failure of governments to implement and enforce new environmental standards; and
- a decline in energy prices which could make processed raw materials less price competitive.

If the Company is unable to develop markets for its processed raw materials, its ability to generate revenues and profits will be negatively impacted.

Construction of Commercial Plants

The Company's future success depends, in part, on its ability to secure partners to locate, develop and construct future commercial plants and generate profits therefrom. A number of different variables, risks and uncertainties affect such commercialization, including:

- the complex, lengthy and costly regulatory permit and approval process;
- local opposition to development of projects, which can increase costs and delay timelines;
- increases in construction costs, such as for contractors, workers and raw materials;
- transportation costs and availability of transportation;
- the inability to acquire adequate amounts of raw material feedstock at forecasted prices to meet projected goals;
- engineering, operational and technical difficulties; and
- possible price fluctuations of raw materials which could impact profitability.

Joint Ventures

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition: (i) failure to establish joint ventures pursuant to, and consistent with, the terms of joint venture agreements; (ii) disagreement with joint venture partners on how to develop and commercialize the Company's technology effectively; (iii) inability of joint venture partners to meet their obligations under the joint venture or to third parties; (iv) inability of the Company to meet its obligations under the joint venture, which could result in restrictions on or loss of its ability to conduct operations in the jurisdictions covered by such joint venture; and (v) litigation or arbitration between joint venture partners regarding joint venture matters.

Termination of any of the Company's joint ventures or other key business relationships may require it to seek another collaborative relationship in that territory. There can be no assurance that a suitable alternative third party would be identified and, even if identified, that the terms of any new relationship would be commercially acceptable to the Company or that a definitive agreement with such third party will be entered into.

Relationships with Strategic Partners

The Company will depend, in part, on its relationships with its strategic partners (including its joint venture partners) to accelerate its expansion, fund development efforts, better understand market practices and regulatory issues and more effectively handle challenges that may arise. The Company's future success will

depend, in part, on these relationships and any other strategic relationships that it may enter into. There can be no assurance that the Company will satisfy the conditions required to maintain these relationships under existing agreements or that it can prevent the termination of these agreements. There can also be no assurance that the Company will be able to enter into relationships with future strategic partners on acceptable terms. The termination of any relationship with an existing strategic partner or the inability to establish additional strategic relationships may limit the Company's ability to successfully market and commercialize its technology and may have a material adverse effect on its business and financial condition.

Foreign Operations

Political and related legal and economic uncertainty may exist in countries where the Company may operate, including China, India and Indonesia. The Company's activities may be adversely affected by political instability and changes to government regulation relating to the utilities, raw material processing industries or the environment generally. Other risks of foreign operations include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries, foreign taxation, price controls, currency controls, delays in obtaining or the inability to obtain necessary governmental permits, opposition to its technology from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation.

In addition, certain countries in which the Company may operate have historically had management, financial control and reporting and other business practices which may differ significantly from the standards governing Canadian reporting issuers. As a result, the Company may have difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices consistent with accepted practices for Canadian reporting issuers.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Foreign Subsidiaries and Repatriation of Earnings

The Company may conduct its operations through foreign subsidiaries, joint ventures or divisions, and some or a large portion of its assets may be held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception of such limitations, could have an adverse impact on the Company's valuation and share price. There is no assurance that China, India, Indonesia, the United States or any other foreign country in which the Company may operate in the future will not impose or strengthen restrictions on the repatriation of earnings to foreign entities.

Technology and Protection of Intellectual Property

Building and maintaining a competitive position will require the Company to establish a technological lead by developing new features which meet market needs. Linked to maintaining a technological lead is the successful protection of intellectual property. The Company's ability to compete and grow its business could suffer if these rights are not adequately protected. To establish and protect its intellectual property rights, the Company will rely on a combination of copyright, trade secret and trademark laws, patents, confidentiality procedures, contractual provisions, and other similar measures to protect its proprietary information, all of which offer only limited protection.

There can be no assurance that the Company's patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to the Company's proprietary technology.

As patents or patent applications do not cover a significant part of the Company's intellectual property, it will seek to protect this proprietary intellectual property in part by confidentiality agreements with its customers, strategic partners, distributors, contractors and employees. These agreements afford limited protection and may not provide the Company with adequate remedies for any breach or prevent other persons or institutions from asserting rights to intellectual property arising out of these relationships.

Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which the Company conducts, directly or through its joint venture partners, research and development activities or will market any future products. The steps the Company has or will take to protect its intellectual property may not prevent the misappropriation of proprietary rights or the reverse engineering of its technology. Moreover, others may independently develop technologies that are competitive with or superior to those of the Company or that infringe its intellectual property. The enforcement of the Company's intellectual property rights may depend on it taking legal action against such infringing parties, and the Company cannot be sure that these actions will be successful, even when its rights have been infringed. Enforcing the Company's rights to its technology could be costly, time consuming and distracting. Any significant failure or inability to adequately protect the Company's proprietary assets will harm its business and reduce its ability to compete.

In addition, courts outside of Canada may be less willing than Canadian courts to protect trade secrets or other intellectual property rights. If the Company's competitors independently develop equivalent knowledge, methods and know-how, the Company may not be able to assert its trade secrets against them and its business could be harmed.

Invalidation of Patents

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by or licensed to the Company based on, among other things:

- subsequently discovered prior art;
- lack of entitlement to the priority of an earlier, related application; or
- failure to comply with the written description, best mode, enablement or other applicable requirements.

Patent law in certain jurisdictions requires that a patent must disclose the "best mode" of creating and using the invention covered by a patent. If the inventor of a patent knows of a better way, or "best mode," to create the invention and fails to disclose it, that failure could result in the loss of patent rights. Any decisions of the Company to protect certain elements of its proprietary technologies as trade secrets and to not disclose such technologies in patent applications, may serve as a basis for third parties to challenge and ultimately invalidate certain of its related patents based on a failure to disclose the best mode of creating and using the invention claimed in the applicable patent. If a third party is successful in challenging the validity of the Company's patents, the Company's inability to enforce its intellectual property rights could seriously harm its business.

Intellectual Property Infringement

The Company's technology may be the subject of claims of intellectual property infringement in the future. The Company's technology may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, could divert resources and attention and could require the Company to obtain a licence to use the intellectual property of third parties. The Company may be unable to obtain licences from these third parties on favourable terms, if at all. Even if a licence is available, the Company may have to pay substantial royalties to obtain it. If the Company cannot defend such claims or obtain necessary licences on reasonable terms, the Company may be precluded from offering most or all of its technology and its business and results of operations will be adversely affected.

Environmental and Safety Regulations and Risks

Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company in the future for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Company expects to generally rely on recognized designers and development contractors from which the Company expects to, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

In addition, these laws and regulations may require obtaining a permit before construction and/or operations at a facility commence. All aspects, from design to construction and, ultimately, operation, may be highly regulated. At various stages, environmental impact assessment reports or feasibility studies may be required to be presented to and approved by various levels of government and may first require community or stakeholder engagement. The Company may be required to expend significant resources to comply with such requirements or may experience significant delays in completing projects while it seeks to comply with these requirements.

Anti-bribery and Anti-corruption

The Company's activities will be subject to a number of laws that prohibit various forms of corruption, including local laws that prohibit both commercial and official bribery and anti-bribery laws that have a global reach, including the Corruption of Foreign Public Officials Act (Canada) (the "**CFPOA**"). The increasing number and severity of enforcement actions in recent years present particular risks with respect to the Company's business activities, to the degree that any employee or other person acting on the Company's behalf might offer, authorize, or make an improper payment to a foreign government official, party official, candidate for political office, political party, employee of a foreign state-owned or state-controlled enterprise, or an employee of a public international organization.

Certain countries in which the Company operates or may in the future operate present heightened risks from an anti-corruption perspective. The Company has entered into joint venture agreements with third parties and may have limited ability to control the activities of its joint venture partners.

The Company has developed internal controls and procedures intended to address compliance and business integrity issues, and the Company advises its employees on anti-bribery compliance on a global basis. However, despite careful establishment and implementation there can be no assurance that these or other anti-bribery, anti-fraud or anti-corruption policies and procedures are or will be sufficient to protect against fraudulent and/or corrupt activity. In particular, the Company, in spite of its best efforts, may not always be able to prevent or detect corrupt or unethical practices by employees or third parties, such as sub-contractors or joint venture partners, which may result in reputational damage, civil and/or criminal liability (under the CFPOA or any other relevant compliance, anti-bribery, anti-fraud or anti-corruption laws) being imposed on the Company or its officers or directors, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

Capital Cost Estimates

Capital and operating cost estimates made in respect of the Company's current and future research and development and commercial projects may not prove to be accurate. Capital and operating costs are estimated based on management's current expectations. Any of the following events, among the other events and uncertainties described herein, could affect the ultimate accuracy of such estimates: delay in construction

schedules; unanticipated transportation costs; cost and availability of financing; the accuracy of major equipment and construction cost estimates; availability and cost of skilled personnel; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, and permitting); and prices for raw materials.

Increased Demand for Services and Equipment

If personnel, services or equipment cannot be obtained in a timely manner due to inadequate availability, this may increase potential scheduling difficulties and costs due to the need to coordinate the availability of personnel, services or equipment, any of which could materially increase project construction costs or result in project delays or both. Any such material increase in costs would adversely affect the Company's results of operations and financial conditions.

Competition

The market for the Company's technology may become highly competitive on a global basis, with a number of competitors having significantly greater resources and/or gaining more market share than the Company. Some of the Company's competitors may have greater financial and/or technical resources and more widely known brand names, which may enable them to adapt more quickly to changes in the Company's industry or devote greater resources to the development and sale of new technologies and products. The Company's ability to compete is dependent on the success of its technology, which may take time to develop and be accepted by the market. To improve its competitive position, the Company may need to make significant ongoing investments in research and development, intellectual property protection, marketing, sales, and service and support. The Company may have insufficient resources to continue to make such investments or to secure a competitive position. In addition, the Company or its technologies may also compete indirectly with companies or technologies that provide or market alternative industrial drying technologies.

Currency Fluctuations

The Company maintains accounts in United States and Canadian dollars. The Company expects to conduct its business using various currencies depending on the location of the operations in question and the payment obligations involved. Accordingly, the results of the Company's operations are subject to currency exchange risks, particularly to changes in the exchange rate between the United States and Canadian dollars. To date, the Company has not engaged in any formal hedging program to mitigate these risks. The fluctuations in currency exchange rates, particularly between the United States and Canadian dollars, may significantly impact the Company's financial position and results of operations in the future.

Natural and Human Caused Disasters

The Company's current and future operations may be subject to adverse natural or human caused events such as fires, severe weather conditions, floods, earthquake activity, explosions, sabotage or terrorism. These events could damage or destroy the Company's physical facilities, and similar events could also affect the facilities of the Company's suppliers or customers. Any such damage or destruction could adversely affect the Company's financial results.

Litigation

The Company may from time to time become party to claims and litigation proceedings that arise in the course of business. Such matters are subject to many uncertainties, and the Company cannot predict with assurances the outcomes and ultimate financial impacts of them. There can be no guarantees that actions that may be brought against the Company in the future will be resolved in its favour or that any insurance the Company carries will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to the Company.

Possible Conflicts of Interest of Directors and Officers of the Company

Certain of the directors and officers of the Company may also serve from time to time as directors and/or officers of other companies, and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in applicable corporate law.

Market Price and Listing of Common Shares

An investment in the Company's securities is highly speculative. Securities of companies involved in the research and development of clean energy industries have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Company's common shares may also be significantly affected by changes in commodity prices, proposed or enacted legislation or regulations or in the Company's financial condition or results of operations as reflected in its financial statements.

There can be no assurance that an active trading market will be sustained for the Company's common shares. Shareholders may not be able to readily resell their Company's common shares, which may affect their pricing in the secondary market. There is no assurance that the Company will maintain its listing on the TSX-V or any other exchange or quotation service. If an active or liquid market for the Company's common shares fails to develop or be sustained, the price at which the Company's common shares trade may be adversely affected.

Regulatory Risks

The Company's current and anticipated future operations are or will be subject to extensive general and industry-specific federal, state, provincial, municipal and other local laws and regulations, including those governing utilities, exports, taxes, employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. The Company or its projects may be subject to the laws of Canada, the United States, Indonesia, China and India, among others. The Company will be required to obtain approvals, permits and licences for its operations, which may impose conditions that must be complied with. If the Company is unable to extend or renew, or is delayed in extending or renewing, a material approval permit or licence, its operations or financial condition could be adversely affected. There is no assurance that these laws, regulations or government policies, or the administrative interpretation or enforcement of existing laws, regulations and government policies, will not change in the future in a manner that may require the Company to incur significant capital expenditures or could adversely affect its operations or financial condition. Failure to comply with applicable laws or regulations, including approvals, permits and licences and new laws and regulations, could result in fines, penalties or enforcement actions, including orders suspending or curtailing the Company's operations or requiring corrective measures or remedial actions.

Tax Exposures

In the normal course of business, the Company will take various tax filing positions without the assurance that tax authorities will accept and not challenge such positions. In addition, the Company is subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. The Company maintains reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities. In addition, the Company has agreed to indemnify MicroCoal in respect of certain tax positions taken in connection with the plan of arrangement and in the course of the MicroCoal business prior to the effective time of the plan of arrangement (refer to the notes of the December 31, 2019 and 2018 consolidated financial statements for information on the plan of arrangement).

Changes in Laws and Regulations

A significant factor in expanding the potential market for the Company's technology is the application of numerous federal, state and local environmental regulations, which provide various requirements for industrial facilities and operations. The Company is unable to predict future regulatory changes and their impact on the demand for its technology and such changes could have a material adverse effect on the Company's prospects.

Uninsurable Risks

The Company's business may be subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to the Company's or its customers' facilities, personal injury or death, environmental damage to its projects, delays in operations, monetary losses and possible legal liability.

Although the Company has obtained such insurance as its senior management determines is commercially reasonable for a company of its size, stage of development and industry, there can be no assurance that the Company will not incur losses beyond the limits of, or outside the coverage of, any such insurance. From time to time, various types of insurance for companies in the research and development or utilities industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. In addition, there can be no assurance that in the future the Company will be able to maintain existing coverage or that premiums will not increase substantially.

Current Global Financial Conditions

The recent events in global financial markets have had a profound impact on the global economy. The volatility in global equities, commodities, foreign exchange, and a lack of market liquidity, may adversely affect the development or commercial viability of the Company's technologies. A global credit/liquidity crisis could also impact the cost and availability of financings and the price of the Company's common shares on any exchanges where the common shares are traded.

PROPOSED TRANSACTIONS

As at December 31, 2019, the Company did not have any proposed transactions.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, the Company did not have any off-balance sheet arrangements.