



Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("MD&A") is provided to enable readers to assess the results of the operations and financial condition for Newtopia for the three and six months ended June 30, 2021. This MD&A is dated August 12, 2021 and should be read in conjunction with the annual audited financial statements and related notes for the year ended December 31, 2020 (the "**Annual Financial Statements**") and the unaudited Condensed Interim Financial Statements for the three and six months ended June 30, 2021 (the "**Interim Financial Statements**" and, together with the Annual Financial Statements, the "**Statements**"). Unless the context indicates otherwise, references to "Newtopia", "the Company", "we", "us" and "our" in this MD&A refer to Newtopia Inc. and its operations.

Forward-looking information

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information includes, but is not limited to, statements made in "Business Overview", "Results from Operations", "Debt Operations", "Debt-Profile" and other statements concerning Newtopia's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "would", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan", "continue", or similar expressions suggesting future outcomes or events or the negative thereof. Such forward-looking information reflects management's beliefs and is based on information currently available. All forward-looking information in this MD&A is qualified by the following cautionary statements.

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Company's control, affect the operations, performance and results of the Company, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Although Newtopia believes that the expectations reflected in such forward-looking information is reasonable and represents the Company's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Company's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially include, but are not limited to: ability to maintain and expand its customer base with products that result in lasting health benefits to customers; ability to invest in technology as tools to support and enhance the customer experience; risks of regulatory changes applicable to the healthcare industry in the United States; general economic conditions that we operate in; and the ability to raise financing to fund capital expenditures and operations. The reader is cautioned to consider these factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A is made as of the date of this MD&A and should not be relied upon as representing the Company's view as of any date subsequent to the date of this MD&A. Management undertakes no obligation, except as otherwise required by applicable law, to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Business Overview

Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Ontario Business Corporations Act. The Company's head office is located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6 and a growing talent hub located in Boston, Massachusetts.

On May 4, 2020, the Company commenced trading on the TSX Venture Exchange under the symbol "NEWU".

The Company is a tech-enabled habit change provider focused on disease prevention and reducing the cost of care for health insurers. Newtopia leverages precision health tools (including genetic testing and behavioural evaluations) to develop and implement personalized experiences combining the best of human intervention with the best of digital interaction. Through habit change and lifestyle intervention, individuals at risk of developing preventable chronic disease improve their habits around their physical and mental health. The Company partners with insurers and employers (primarily in the United States) and focuses its efforts on employees or members at risk of developing chronic diseases including, but not limited to, obesity, type 2 diabetes, heart disease, stroke or fatty liver disease. Each personalized program aims to sustainably reduce the five primary metabolic risk factors of chronic disease, including (1) waist circumference or BMI, (2) blood pressure, (3) blood glucose, (4) triglycerides, and (5) cholesterol, along with mental and emotional health risk factors, thereby delivering proven meaningful and growing healthcare risk reduction to individuals and cost savings to risk-bearing employers or insurers. While many population and disease management companies today focus on either managing those with chronic disease or offering general wellness or engagement solutions across the entire member population, the Company's platform instead targets the approximately 50 to 80% at-risk population. Newtopia enables participants to sustainably change habits, maintain health, avoid or reduce their likelihood of developing chronic disease and reduce exorbitant healthcare costs in the United States by delivering clinical and cost savings outcomes proven to grow and improve over time.

The Company's personalized habit change platform focuses on physical and mental health risk reduction rather than disease management or aesthetic weight loss. The Company believes it is time to get ahead of the increasing prevalence of chronic disease and focus on sustainable prevention rather than disease management. The key to achieving sustainable risk and cost reduction is a focus on building confidence and habit change as opposed to increasing knowledge and education. While disease prevention is still limited in the market, most disease prevention guidelines and offerings focus on teaching a "one-size-fits-all" curriculum in order to build greater knowledge of how to live a healthier lifestyle. Built on similar assumptions as those within the dominant one-size-fits-all education model, the end goal of curriculum-based prevention is to educate individuals in order to build enough knowledge that will hopefully translate into the appropriate behaviour changes to reduce risk. However, in a personalized habit change model, the ultimate goal is not to teach and build knowledge; rather, it is to inspire and instill confidence in order to build new progressive habits and reduce risk. The biggest advantage of a habit change platform relative to a learning platform is sustainability and growth of outcomes and cost savings. With a habit change platform, the value increases over 12 and 24 months (and beyond) as opposed to producing short-term outcomes within the first few months, with both clinical risk factors and costs returning the following year. Therefore,

habit change platforms produce a higher level of engagement, clinical risk reduction and cost savings that grow over time compared to many existing knowledge-based models.

The Company's patented persuasive enterprise technology platform converges genetic testing and the latest social and behavioural science with real-time online human coaching and a cutting-edge virtual platform, wireless tracking devices, personalized gamification and a curated social health network to ensure lasting results at scale and a strong return on investment for risk-bearing insurers.

The Company markets to individuals (employees or members) covered by risk-bearing insurers that have out-of-range physical and mental health risk factors and is paid by the risk-bearing insurer on behalf of the member. These out-of-range factors can be identified by leveraging existing risk identification data including biometric test outcomes, health risk assessments, claims or risk screener data. Eligible at-risk individuals are offered an exclusive invitation to enroll. Once enrolled, they are referred to as participants, and complete a personal profile which helps the Company understand their personality type, level of motivation, readiness to change, eating habits, activity level and underlying social determinants of health. Participants are then personality-matched with a Company “**Inspirator**” who acts as a personal health coach and works with each participant to build confidence and develop new progressive habits with respect to nutrition, exercise and behavioural/mental well-being. Participants and Inspirators meet virtually which leverages a combination of online video, text messaging, email or telephone.

Participants are also provided tools for success in their personal program. These tools can include a genetic test, smart scale, activity tracker, access to a personalized mobile app and measuring tape for measuring waist circumference. The Company's mobile platform provides participants access to their Inspirator, video lessons, reporting from bio-sensors, goals, messaging, and their progress from anywhere in the world. It also helps to extend the relationship between participant and Inspirator, and increase accountability and engagement between coaching sessions.

Newtopia is a pioneer in leveraging genetic testing primarily for behaviour change and engagement purposes. Newtopia's genetic testing allows the Company to help participants understand if they have inherited any genetic factors that may be having an impact on their physical and mental health and to personalize lifestyle recommendations by gaining a deeper understanding of how genes impact an individual's risk. The genetic test is designed specifically to look for genetic characteristics related to physical and mental health as well as lifestyle management. The Company provides specific genetically-driven recommendations that are evidence and guideline-based for nutrition, exercise and behaviour management to combat the potential effect of those genetic characteristics. These recommendations could include changes in the proportion of fats, carbohydrates and proteins the participant eats, the form and intensity of exercise required to burn a sufficient number of calories and appropriate behavioural and mental health support and exercises related to satiety signals, cravings and resilience to stress. These genetically driven recommendations are then incorporated into the participant's personalized lifestyle plan to further refine and personalize each participant's experience in order to create more durable habit change.

In addition to its whole person care solution for lowering risk for broad chronic disease prevention, Newtopia delivers individualized support through the following personalized program focus areas:

1. Habit Change and Resiliency
2. Weight Management
3. Diabetes Prevention
4. Hypertension and Heart Health
5. Healthy Living with Diabetes

Corporate Update

The Company's revenue during the three and six months ended June 30, 2021 decreased by 3% and 20%, respectively, over the same periods of the previous year. The prior year's revenue during the six months ended June 30, 2020 was particularly strong due to a novel incentivized program launched in early 2020 by one of its Fortune 500 financial services customer and innovation partner which naturally created a tough year-over-year comparison. Revenue during the three months ended June 30, 2021 included less than one month (June) of strong enrolment numbers from an existing Fortune 50 health services company in which Newtopia was granted expanded marketing opportunities within the employee population. The easing of COVID-19 restrictions and the return to more normal operating procedures in the United States bolstered top line growth during the quarter through an acceleration at the start of the expanded program with the existing Fortune 50 health services customer. The Company anticipates this trend will continue into the third and fourth quarters as enrollment fees transition into recurring engagement revenues.

Net loss and comprehensive loss during the three and six months ended June 30, 2021 increased by 49% and 50%, respectively, over the same periods of the previous year. Higher operating expenses during the three and six months ended June 30, 2021 contributed to the increases. Specifically, the Company increased sales and marketing expenditures during these aforementioned time periods in an effort to expand and drive new customer and future revenue growth.

General and administrative expenses increased on a year-over-year basis reflecting the added costs associated with being a public company. Share based expenses also rose following the Company's grant of stock options to all its employees in November 2020. This granting of options to the entire employee base was a one-time event. The subsequent granting of stock options to tenured and newly hired employees will be granted at the discretion of the Board of Directors. Newtopia can grant up to 18,114,870 stock options pursuant to its option plan, representing roughly 20% of the aggregate issued and outstanding common shares on the day Newtopia listed on the TSX Venture Exchange.

In April 2021, the Company launched its platform in Canada through a partnership with Eastern Health, the largest integrated health authority in Newfoundland and Labrador, and Medtronic, a formal partner under Eastern Health's Innovation Strategy to implement an integrated type 2 diabetes prevention program. The group will develop and deliver a 12-month pilot project aimed at improving diabetes risk factors and health outcomes. With a population of more than 500,000 people and a rate of type 2 diabetes exceeding 30% (more than double the national average), there is a strong opportunity to grow. The Eastern Health partnership is also significant because it represents one of the first provincial condition management and prevention programs funded by a provincial health insurer and could act as a model for other provinces and territories to follow.

In June 2021, the Company announced the transition in the Company's Chief Financial Officer ("CFO"), with Anthony Lam stepping down as CFO and Edmond Lem, the Company's current Corporate Controller, reassuming the role of interim CFO effective June 25, 2021, a position he held prior to Mr. Lam's appointment in November 2020.

The Company has a bank facility and as of June 30, 2021, the Company was in breach of certain bank facility covenants. Newtopia maintains a solid working relationship with its bank which has provided a non-dilutive solution to satisfy its anticipated working capital needs as Newtopia accelerates its growth trajectory. Newtopia is actively working on finalizing this enhanced credit facility with its bank and will update the market once it has been finalized.

Subsequent Events

In July 2021, the Company announced the appointment of Roger Poirier, CFA to the Company's Board of Directors. With Mr. Poirier's appointment, Newtopia has expanded its Board of Directors to include five directors. Mr. Poirier has more than three decades of capital markets, finance and M&A experience and will serve on Newtopia's Audit Committee.

COVID-19

On March 12, 2020, the World Health Organization declared the global outbreak of the COVID-19 virus as a pandemic. The outbreak has spread throughout Europe, the Middle East, Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions.

The pandemic has led to widespread economic uncertainty and volatility in the financial markets which could adversely impact the Company's cost and access to capital. With concerns over the spreading of the virus, the Company has proactively implemented several protective measures, including work-from-home arrangements for its staff, cancellation of conferences and limits on non-essential employee travel.

The recent release of effective COVID-19 vaccines has provided a positive boost to consumer confidence and to the outlook for an economic rebound. While these are positive trends and the Company confirms the rebound in economic activity also correlates with the Company's current growth, the onset of the Delta variant has resulted in the reinstallation of some COVID-19-related restrictions in the United States, which could have a negative impact on Newtopia's future operations in the event that the Delta variant or other variants of concern cause further or renewed restrictions. The future impact of COVID-19 therefore remains uncertain and could have a material adverse effect on the Company's business, financial position, results of operations and/or cash flows.

Newtopia will continue to work with its stakeholders (including customers, employees and suppliers) to responsibly address this global pandemic. The Company continues to monitor the situation, to assess further possible implications to its business, supply chain and customers, and to take actions in an effort to mitigate adverse consequences.

Selected Financial Information

	Three Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Revenue	2,619,021	2,687,055	(68,034)	(3%)
Cost of sales	1,457,764	1,276,626	181,138	14%
Gross profit	1,161,257	1,410,429	(249,172)	(18%)
Gross profit margin	44%	52%	(8%)	(15%)
Operating expenses	3,338,416	2,623,309	715,107	27%
Operating loss	(2,177,159)	(1,212,880)	(964,279)	80%
Other expenses	190,126	327,158	(137,032)	(42%)
Net loss and comprehensive loss	(2,367,285)	(1,540,038)	(827,247)	54%
Basic and diluted loss per share	(0.02)	(0.02)		

Six Months Ended June 30,

	2021	2020	Change	
	\$	\$	\$	%
Revenue	5,238,192	6,550,041	(1,311,849)	(20%)
Cost of sales	2,758,631	3,485,183	(726,552)	(21%)
Gross profit	2,479,561	3,064,858	(585,297)	(19%)
Gross profit margin	47%	47%	0%	0%
Operating expenses	6,810,444	5,197,453	1,612,991	31%
Operating loss	(4,330,883)	(2,132,595)	(2,198,288)	103%
Other expenses	312,890	915,524	(602,634)	(66%)
Net loss and comprehensive loss	(4,643,773)	(3,048,119)	(1,595,654)	52%
Basic and diluted loss per share	(0.05)	(0.08)		

Revenue

The Company's performance-based revenue model consists of three elements: (1) Welcome Kit sales, (2) monthly subscription fees, and (3) outcome milestone fees. Welcome Kit sales are recognized when they are shipped to participants upon enrollment. Subscription fees are tied to participant engagement in the Company's programs based on specific criteria outlined in an individual contract.

Certain customer contracts contain clauses that trigger success fees and/or outcome guarantees. Success fees are paid by customers upon the completion of certain target metrics. Upon achievement of those metrics, success fees are billed on a monthly basis. Outcome guarantees result in a repayment of a portion of the engagement fees previously earned by the Company in the event that average participant weight-loss does not meet a targeted range.

Revenue for the three and six months ended June 30, 2021 decreased by 3% and 20%, respectively, over the same periods in the previous year. Revenue was negatively impacted during the six-month period ended June 30, 2021 by social distancing restrictions which resulted in reduced in-person biometric testing by employees that constrained the Company's ability to identify and address at-risk populations. With a return to standard operating procedures and in-person biometric testing during the second quarter, the Company anticipates a higher rate of participant adoption in the latter half of the year. Even if there is a return to remote risk identification, Newtopia has identified novel options in partnership with its clients to approach entire populations with its habit change offering.

Declines in year-to-date revenue were offset by the launch of a newly incentivized program by an existing Fortune 50 financial services customer to a segment of its employee population. This incentivized program, in which participants could earn monthly incentives from their employer for actively participating in the Newtopia program, resulted in a surge in Welcome Kit sales and engagement revenues.

Revenue for the three months ended June 30, 2021 remained relatively consistent with revenue in the same period in the previous year due to strong new participant enrolments following a participant outreach campaign with a Fortune 50 health services client in June 2021. As part of the outreach campaign, the Company granted expanded marketing opportunities within the client's employee population. The easing

of COVID-19 restrictions in the United States also contributed to a growth in revenue during the three months ended June 30, 2021.

Gross Profit

Gross profit is comprised of revenue less direct expenses, which consists of the cost of Welcome Kits sold to new participants and the labour costs associated with the Company's coaching team or Inspirators.

Gross profit margin for the three months ended June 30, 2021 decreased 8% over the same period in the previous year due to the higher mix of Welcome Kit revenues during the quarter from the strong participant starts. It is expected that the strong participant starts will lead to higher gross profits in Q3 and Q4 of 2021 as the mix of recurring engagement revenue follows the large number of Welcome Kits sold in the second quarter. Gross profit margin in the six months ended June 30, 2021 was consistent with the gross profit margin in the same period of the previous year.

Operating Expenses

The table below sets forth the details of operating expenses for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Technology and development	982,214	793,322	188,892	24%
Sales and marketing	923,051	815,196	107,855	13%
General and administrative	1,096,028	893,132	202,896	23%
Share-based compensation	337,123	121,659	215,464	177%
	<u>3,338,416</u>	<u>2,623,309</u>	<u>715,107</u>	<u>27%</u>

	Six Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Technology and development	1,712,221	1,569,988	142,233	9%
Sales and marketing	1,899,533	1,543,678	355,855	23%
General and administrative	2,311,747	1,827,696	484,051	26%
Share-based compensation	886,943	256,091	630,852	246%
	<u>6,810,444</u>	<u>5,197,453</u>	<u>1,612,994</u>	<u>31%</u>

Operating expenses consist of administrative, technology and development, and selling and marketing expenses.

Technology and development expenditures during the three months ended June 30, 2021 increased by 24% over the same period in the prior year, primarily as result of adding senior level resources to the product development team and certain research costs incurred in relation to a new CRM platform. The Company is making these investments in a new technology platform in order to improve service efficiency that will

ultimately lead to higher gross margins on recurring engagement revenues. As a result of headcount reductions, expenditures during the six months ended June 30, 2021 were more consistent with the same period in the prior year.

Selling and marketing expenses during the three and six months ended June 30, 2021 increased by 13% and 23%, respectively, over the same periods in the prior year as the Company contracted new marketing and public relations firms in late 2020 and throughout the first half of 2021. These increased sales and marketing expenses helped drive outreach expansion to new client verticals with higher aggregations of potential participants. The Company's sales funnel is growing commensurate with the increased investment in sales and marketing activities.

General and administrative expenses during the three and six months ended June 30, 2021 increased by 23% and 26%, respectively, over the same periods of the previous year. The increase is due to filing fees and charges associated with becoming a public company in May 2020. Employee compensation costs were also higher during the six months ended June 30, 2021 with the addition of senior level resources in finance and data analytics.

Share-based compensation expenses during the three and six months ended June 30, 2021 increased by 177% and 246%, respectively, compared to the share-based compensation expenses during the three and six months ended June 30, 2020. The significant share-based compensation expenses in the six months ended June 30, 2021 stems from two full quarters of expenses related to stock options granted to all employees in November 2020. This was a one-time event that management does not anticipate will continue in the future.

Other Expenses

The table below sets forth the details of other expenses for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Depreciation of property and equipment	16,803	21,339	(4,536)	(21%)
Depreciation of right-of-use asset	46,192	46,191	1	0%
Interest and accretion expense	-	-	-	-
Interest on lease obligations	29,046	36,849	(7,803)	(21%)
Finance charges	15,812	-	15,812	100%
Amortization of deferred finance charges	46,120	-	46,120	100%
Foreign exchange loss	39,142	106,620	(67,478)	(63%)
Change in value of convertible debenture derivative liabilities	-	177,663	(177,663)	(100%)
Change in value of derivative liability	(2,989)	(61,504)	58,515	(95%)
Loss on settlement of related party payable	-	-	-	-
	<u>190,126</u>	<u>327,158</u>	<u>(137,032)</u>	<u>(42%)</u>

	Six Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Depreciation of property and equipment	34,775	42,893	(8,118)	(19%)
Depreciation of right-of-use asset	92,387	92,386	1	0%
Interest and accretion expense	-	233,542	(233,542)	(100%)
Interest on lease obligations	60,314	74,698	(14,384)	(19%)
Finance charges	20,948	-	20,948	100%
Amortization of deferred finance charges	85,036	-	85,036	100%
Foreign exchange loss(gain)	66,938	(96,491)	163,429	(169%)
Change in value of convertible debenture derivative liabilities	-	448,656	(448,656)	(100%)
Change in value of derivative liability	(47,508)	(47,876)	368	(1%)
Loss on settlement of related party payable	-	167,716	(167,716)	(100%)
	<u>312,890</u>	<u>915,524</u>	<u>(602,634)</u>	<u>(66%)</u>

Depreciation of property and equipment during the three and six months ended June 30, 2021 was lower by 21% and 19%, respectively, over the same periods of the previous year as a result of computer equipment additions during 2020 to support the growth in the coaching team. The Company did not purchase any capital assets during the six months ended June 30, 2021.

Interest and accretion expenses and the change in convertible debentures derivative liabilities relate to convertible debenture units issued by the Company in November 2018. The convertible debenture units were converted following the Company's listing in May 2020.

Finance and amortization of deferred finance charges in the three and six months ended June 30, 2021 relate to the Company's new credit facility secured in October 2020. Finance charges incurred on the closing of the facility are being deferred and amortized over the term of the facility.

The Company derives most of its revenue in U.S. currency and the weakening U.S. dollar relative to the Canadian dollar during the first quarter of 2020, due largely to the economic impact of COVID-19, resulted in the recognition of a substantial foreign exchange gain on the Company's U.S. dollar monetary assets. As at June 30, 2021, the Company's U.S.-denominated assets include U.S. cash and 97% of its trade receivables.

Loss on settlement of related party payable relates to the settlement of \$400,000 of unpaid bonuses owing to the Company's Chief Executive Officer ("CEO") with 865,849 Common Shares and 188,571 stock options. The stock options are exercisable at \$0.70 per Common Share until November 6, 2021. The aggregate fair value of the Common Shares and stock options at the date of the settlement was determined to be \$567,716. The difference from the bonuses payable of \$400,000 (being \$167,716) was recognized as a loss on settlement of debt.

Total Assets

Total assets as at June 30, 2021 decreased by 45% from total assets as at December 31, 2020 due to a lower cash balance and unbilled revenue related to the variable success fee consideration for achieving weight loss targets, partially offset by an increase in trade and other receivables and intangibles (new CRM platform). Cash is lower due to the cash outflow from operations and the investment in the new CRM platform. The unbilled revenue balance as at December 31, 2020 related primarily to the high number of participants that enrolled in the first quarter of 2020 that successfully achieved weight loss success fee targets after 12 months. Trade and other receivables are higher due to the strong participant starts in June 2021.

Total Liabilities

The Company's total liabilities as at June 30, 2021 increased 1% from December 31, 2020 due mainly to withdrawals on the credit facility during the three months ended June 30, 2021. The increase was partially offset by decreases in trade payables and the lease obligation.

Summary of Quarterly Results

The table below sets forth selected financial data for the most recent eight quarters ended June 30, 2021:

(In thousands, except loss per share)

Quarter-ended	Revenue (Unaudited)	Net Loss (Unaudited)	Loss per Share (Unaudited)
	\$	\$	\$
June 30, 2021	2,619	(2,367)	(0.02)
March 31, 2021	2,619	(2,276)	(0.02)
December 31, 2020	2,477	(2,928)	(0.03)
September 30, 2020	2,389	(1,755)	(0.02)
June 30, 2020	2,687	(1,540)	(0.02)
March 31, 2020	3,863	(1,508)	(0.10)
December 31, 2019	1,538	(4,079)	(0.26)
September 30, 2019	1,202	(2,320)	(0.15)

The Company's revenues fluctuate quarterly depending on the level of Welcome Kit sales, which usually occur in bulk at the outset of a new customer contract or in phases as customers roll out Newtopia's programs to its at-risk employees. Recurring engagement revenues, which follow Welcome Kit sales, are subject to seasonality with greater participant engagement at the start of the calendar year. As new clients onboard or as new phases within existing clients launch, Welcome Kit revenue is followed by recurring engagement revenues.

Strategic Growth Drivers and Outlook

In the first six months of the calendar year ending June 30, 2021, Newtopia underwent a delayed rollout of products to some of its clients due to the impact of COVID-19. Beginning in June 2021, however, this pattern reversed itself due to an increased and expanded marketing effort with one of the Company's

customers along with the beginning of the return to normal operating procedures in the United States with the easing of pandemic-related restrictions throughout the country.

The recent positive client onboarding trajectory is anticipated to continue into the third and fourth quarters of 2021 and result in a return to growth for the Company in the second half of the year. With a return to standard operating procedures and in-person risk identifiers, the Company anticipates a higher rate of adoption beginning in the latter half of this year. Even if there is a return to remote risk identification, the Company has identified in collaboration with its customers an alternate strategy to approach entire populations at a lower adoption yield.

Newtopia's underlying business is healthy as indicated by record levels of recurring participant engagement in the second quarter 2021 that will continue to flow through in Q3 and Q4. In order to continue to expand its market share and further enhance overall engagement levels, the Company will focus on three key pillars of growth.

First, Newtopia will look to expand its current client base beyond the existing customer pipeline. The addressable market for chronic disease prevention is significant and growing. The Centers for Disease Control reports that 90% of the \$3.8 trillion annual healthcare industry's costs in the United States are spent to cover chronic physical and mental health conditions. Clients are expected to be generated from one of three verticals, though there can be additional opportunities to expand beyond these identified target markets. United States-based verticals include the 140 million lives covered by self-insured employers, the 100 million lives covered by private insurers and 100 million lives covered by the public and government insurers such as Medicare and Medicare Advantage. The Canadian market also offers an additional 38 million individuals covered by government supplied health insurance. The Company is in its early stages in the Canadian market, having at present signed with a single prevention pilot program.

The second core pillar of growth will come from improving product density within new markets or cross-selling of current products within Newtopia's existing customer base. This cross-selling of products will include those on the prevention side, including weight management and diabetes prevention offerings, as well as those that reverse and slow chronic disease, including hypertension and related heart health conditions, all of which are aimed at improving resiliency and building strong, long-term habits. In June 2021, the Company also added new mental health offerings to its disease prevention platform as a means by which to provide whole health care— (physical and mental) to the participant. Opportunities to cross-sell mental health offerings also now offer incremental revenue opportunities, and the Company believes it has positioned itself very strongly for future customer expansion.

The third pillar of growth will be to increase enrollment rates with its existing customers. Newtopia's customer contracts are often set up in phases where only a portion of the total at-risk population is offered to onboard onto the Company's health tech platform initially. As a result of this phased, strategic approach to customer contracts, the Company has only rolled out to approximately 20% of the potential population across Newtopia's entire customer base at present. While an improvement in sales is not guaranteed, expanding with this current customer base offers significant opportunity for potential incremental revenue for the Company.

To support these growth efforts, Newtopia will focus on making strategic investments in its technology that increase the efficiency of its services and provide participants with improved user engagement and better leverage of its health coaches while still maintaining the high-level of individualized care provided to the Company's client base. At total of \$1.8 million in capital expenditures are anticipated to be made in 2021 to support these efforts and promote the aforementioned pillars of growth. These expenditures will be

capitalized over their lifetime and any increases in expenses in the future will continue to be more modest than the Company's growth in revenue and gross profits. Newtopia continues to target exiting the fiscal year on a cash flow neutral from operations basis. The Company has incurred a total of approximately \$1.0 million in capital expenditures for the year-to-date period.

Liquidity and capital resources

The table below sets forth the cash flows for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,			
	2021	2020	Change	
	\$	\$	\$	%
Cash used in				
Operating activities	(4,004,368)	(1,163,522)	(2,840,846)	244%
Investing activities	(912,152)	(11,843)	(900,309)	7,602%
Financing activities	880,695	(28,429)	909,124	(3,198%)
Decrease in cash	(4,035,825)	(1,203,794)	(2,832,031)	235%

The Company may be adversely impacted by uncertain market conditions and adverse results from operations. The Company may face challenges due to such factors as the loss of a major customer contract, entry of new competitors or significant changes in healthcare regulations. Should expected revenue growth not materialize, the Company may be required to seek additional financing through the sale of equity securities and/or through debt.

Cash

The cash used in operating activities during the six months ended June 30, 2021 increased by 244% as compared to cash used in operating activities during the six months ended June 30, 2020. This increase is mainly attributed to the lower revenues and higher administrative, selling and marketing expenses incurred during the three and six months ended June 30, 2021 relative to the same periods ended June 30, 2020.

Cash used in investing activities relate to the investment by the Company on the acquisition and integration of a new CRM platform software. The project was launched during the fourth quarter of the 2020 fiscal year.

The cash inflow from financing activities during the three and six months ended June 30, 2021 and 2020 represent the withdrawal of money from the credit facility during the second quarter of 2021, net of the lease payments on the right-of-use asset lease obligation.

Financing

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the "**Facility**") in the amount of \$5,000,000. The Company may avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility matures on December 4, 2022 (the "**Maturity Date**"), is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios.

In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the “**Guaranteed Amount**”). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the lender’s prime rate minus 0.05%. The initial guarantee covers the period from October 14, 2020 to September 30, 2021.

In accordance with the terms of the Facility, the lender received 210,526 Warrants (the “**Warrants**”) on December 4, 2020, with each Warrant entitling the lender to acquire one common share at a price of \$0.95 at any time within the earlier of the Maturity Date and December 4, 2025.

As of June 30, 2021, the Company was in breach of certain bank facility covenants with a Schedule I Canadian Bank. Newtopia is actively working on finalizing an enhanced facility with this bank and potential additional lenders which will offer a non-dilutive solution to augment growth capital for the Company. Newtopia will update if and when this updated facility has been finalized.

Issued and Outstanding Share Capital

The Company’s authorized capital consists of an unlimited number of Common Shares and unlimited number of Class A Preferred Shares, issuable in series. As of the date of this MD&A, the issued and outstanding shares consists of 100,492,786 Common Shares with no Class A Preferred Shares outstanding.

The Company has established a stock option plan (the “**Plan**”) for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the Plan cannot exceed 18,114,870, representing 20% of the aggregate of issued and outstanding Common Shares on May 4, 2020 being the date the Company’s Common Shares were listed for trading on the TSX Venture Exchange. As of the date of this MD&A, there are 15,152,208 stock options outstanding under the Plan.

As of the date of this MD&A, there are outstanding 15,084,328 non-broker warrants to purchase up to 15,084,328 Common Shares and 2,035,441 compensation options to purchase up to 2,035,441 Common Shares.

Significant Accounting Policies and Estimates

The Company’s significant accounting policies and accounting estimates under International Financial Reporting Standards (“**IFRS**”) are contained in the unaudited Condensed Interim Financial Statements. Certain of these policies involve critical accounting estimates as they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Actual results may differ from estimates under different assumptions and conditions. Significant judgments include income taxes and significant estimates include fair value measurements and the valuation process.

Related party transactions

The Company’s key management is comprised of the Board of Directors and current or former members of the executive team of the Company. Key management compensation for the three and six months ended June 30, 2021 and 2020 consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries, fees and short-term benefits	556,403	428,204	1,169,115	826,285
Share-based benefits	246,473	122,582	594,710	221,898
	802,876	550,786	1,763,825	1,048,183

On March 2, 2020, the Company and its CEO agreed to settle \$400,000 of unpaid bonuses related to 2019 and prior years with 865,849 common shares and 188,571 stock options. The stock options are exercisable at \$0.70 per common share until November 6, 2021. As at June 30, 2021, there was a remaining \$500,000 of unpaid bonuses related to prior years due to the CEO in accounts payable and accrued liabilities (June 30, 2020 - \$500,000). The shares were issued to the CEO in March 2021 and \$528,168 was allocated from shares to be issued to Common Shares in the statement of equity.

On November 16, 2020, the Company issued 348,028 stock options to the directors of the Company as settlement of unpaid 2020 directors' fees of \$160,000. Each option vests quarterly over one year and is exercisable at a price of \$0.85 per common share at any time up to November 16, 2025. The fair value of the stock options of \$178,956 was determined using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.29%, expected life of five years and expected volatility of 73.99%. The unpaid fees are being reduced by the amortization of the fair value of the stock options over the vesting period. During the six months ended June 30, 2021, the 2020 directors' fees liability was reduced by \$108,325. As at June 30, 2021, the remaining balance owing was \$5,777.

On May 19, 2021, the Company issued 797,200 stock options to the directors of the Company for fees related to the year ended December 31, 2021. Each option vests quarterly over one year and is exercisable at a price of \$0.47 per common share at any time up to May 19, 2026. The fair value of the stock options was determined at \$215,536 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 0.96%, expected life of five years and expected volatility of 69.80%. Amortization of the fair value of the stock options during each of the three months and six months ended June 30, 2021 in the amount of \$51,550 was applied against directors' fees owing for the three month period ended June 30, 2021.

Customer Concentration Risk

Newtopia's client base is fairly concentrated with two companies comprising 83% of the total revenues. As new clients are added to the Company's platform, Newtopia anticipates this customer concentration risk will reduce significantly. A strong pipeline of new business and an active sales process provides the Company with confidence that it will be able to reduce its customer concentration over time.

Credit risk

Credit risk arises from the possibility that Newtopia's customers may experience financial difficulty and be unable to fulfil their contract commitments. The Company's exposure to credit risk is mitigated by its customer base which consists primarily of United States' healthcare insurance payors or self-insured employers that are typically large established Fortune 500 companies with high credit quality. In addition, the Company mitigates exposure to credit loss by placing its cash with major financial institutions.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on the changes in foreign exchange rates. The Company enters into transactions to purchase and sell goods denominated in foreign currencies, which relate to revenues, cost of sales, expenses, cash, accounts receivable and accounts payable balances. Balances are subject to rate fluctuations.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures

The CEO and CFO have designed or caused to be designed controls to provide reasonable assurance that (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time frame specified in the securities legislation. Based on the evaluations, the CEO and CFO have concluded that the Company's disclosure controls and procedures were adequate and effective.

Internal controls over financial reporting

Newtopia has established internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including the CEO and CFO, have determined that as at June 30, 2021, the internal controls over financial reporting were effective.

Inherent limitations

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Given the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) controls may be circumvented by unauthorized acts of individuals, by collusion of two or more people, or by management override.

Additional Information

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

APPROVAL

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