**POND TECHNOLOGIES HOLDINGS INC.**
**(formerly, IRONHORSE OIL & GAS INC.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE THREE MONTHS ENDED**
**MARCH 31, 2019**

**Dated May 28, 2019**

**Pond Technologies Holdings Inc.**
**(formerly, Ironhorse Oil & Gas Inc.)**
**(the "Corporation")**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**
**For the Three Months Ended March 31, 2019**

**All amounts are in thousands of Canadian dollars, except per share amounts and where specified**

This Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations of Pond Technologies Holdings Inc. ("**Pond**" or the "**Corporation**") constitutes management's review of the Corporation's financial and operating performance for the three months ended March 31, 2019, financial condition and future prospects. Except as otherwise noted, this MD&A is dated May 28**,** 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 and 2018 as well as the audited consolidated annual financial statements of Pond Technologies Holdings Inc. for the years ended December 31, 2018 and 2017, and the related notes thereto.

Pond Technologies Holdings Inc., formerly named "Ironhorse Oil & Gas Inc.", is incorporated under the *Business Corporations Act* of Alberta. Effective January 30, 2018 the Corporation completed a business combination and change of business transaction with Pond Technologies Inc. by way of a three-cornered amalgamation, that resulted in, amongst other things, the Corporation changing its name from Ironhorse Oil & Gas Inc. to Pond Technologies Holdings Inc.

As of February 6, 2018, the Corporation's shares began trading on the TSX Venture Exchange under the new trading symbol "POND".

This MD&A is prepared as at May 28, 2019 and is current to that date unless otherwise stated. The Interim Financial Statements of the Corporation and extracts of those financial statements provided within this MD&A, have been prepared in Canadian dollars, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements, and so should be read in conjunction with the Company's 2018 audited annual consolidated financial statements prepared in accordance with IFRS, which can be found on SEDAR at www.sedar.com. With the exception of new accounting policies that were adopted January 1, 2019 (see "*Changes in Accounting Policies*" section below), the Interim Financial Statements were prepared using the accounting policies disclosed in our annual financial statements.

**Corporation's Business Overview**

The Corporation's primary business is to pursue microalgal biomass cultivation using available sources of carbon dioxide ("**$CO_2$**"), including $CO_2$ rich emission sources from industrial plants. The resultant algae is used in the production of nutraceuticals, commonly known as superfoods, aquaculture and animal feeds, and as feedstock in the production of biofoams and algae based biomaterials.

The Corporation has formed a nutraceutical business segment and is actively pursuing opportunities in the nutraceutical and, superfood marketplace. In addition, the Corporation is also working to extend its technology applications into related verticals, including the exploitation of its proprietary integrated growth platform for terrestrial plants, where it has sought additional intellectual property protection for these applications.

**Commercialization Highlights – Q1**

During the quarter ended March 31, 2019, Pond continued to enhance, market and deploy its technology through the following activities:

- *Pond Naturals* – Revenue $879 – Q1 Revenues for Pond Naturals were derived from the sale of RFI LLC ("RFI") related products and revenue arising from the January 30, 2019 acquisition of Regenurex Health Corporation.

- *Q1 Technology Services* - *Revenue $668* – $660 of Q1 revenue related to the design, engineer, manufacture and installation of a 45,000L algae growing bioreactor for Stelco Algae Holdings Inc. ("**SAHI**"). The SAHI project was 38% completed by the end of Q1. The balance $8 of revenue arose from the completion of a project study.

- *Q1 Oil & Conventional Natural Gas Revenue $442* – Pond continues to market the sale of this property and will change the accounting treatment to discontinued operations when a firm contract of sale is agreed.

- *Growth Optimization Platform* - The Corporation continues to enhance its growth optimization platform known as PaiGE (see Subsequent Events) including the integration of sensors, controls and artificial intelligence. This technology is expected to increase growth rates and decrease operating costs for algae and terrestrial plant growth.

**Commercialization – Targets, Assumptions and Risk Factors**

Pond's revenue streams, following the sale of its oil and conventional natural gas property, are expected to consist of four primary business activities:

- *Pond Naturals* - This sector will support the recurring production, procurement, distribution and sale of nutraceutical products including algae related products targeted for the human health industry;
- *Technology and Equipment* - Algae production facility sales will consist of the sale of engineering, technology and equipment for the development of algae production facilities owned by 3rd parties;
- *Operations and Management* - Recurring algae facility operations and maintenance revenue that will accompany the commissioning of the algae plants, including the Stelco facility currently under development; and
- *Royalty and Licence Fees* - Recurring licence fees and royalties that will result from plant operations.

The following commercialization targets represent forward-looking information and users are cautioned that actual results may vary. The discussion in this section is qualified in its entirety by the cautionary language in the "Forward Looking Information" section of this MD&A.

The commercialization targets and associated assumptions and risks have been prepared by management using known product market information and estimated production data derived from Pond's growth and processing technology data. The resulting forecasted revenue and gross margin arising from the key business segments as noted below, are believed to be currently reasonable however actual results may differ materially.

## Pond Naturals – Business Segment

Pond Naturals will comprise the nutraceutical related operations within Pond, including sale of algae health products and nutraceuticals**.**

### *(i) Distribution*

Canadian exclusive distribution agreement with RFI, LLC signed November 30, 2018 and revenue commenced in January 2019.

**Estimated Annual Revenue 2019 -** $3.0 to $3.5 million **Estimated Gross Margin -** 16% to 18%

**Key Assumptions**

- Historical revenue and margins previously achieved by RFI, LLC in Canada will continue
- New products produced by Pond or third parties will be added to the distribution business

**Risk Factors**

- Increases in product volumes and or prices are not achieved
- Risk factors as noted in the risk factors section below

### *(ii) Astaxanthin production*

Regenurex Business amalgamation with Pond Naturals Inc. completed January 30, 2019.

**Estimated Fully Operational Annual Revenue -** $5 to $7.6 million
**Estimated Fully Operational Gross Margin -** 30% to 50%

**Key Assumptions When Fully Operational**

- Regenurex facility fully operational with Pond technology process improvements by Q2 2020
- Pure Astaxanthin produced per year - 350 kg
- Retail revenue as a percentage of annual revenue 15% to 25%
- Bulk revenue as a percentage of annual revenue 75% to 85%
- Blended retail and bulk pure astaxanthin price per kg **-** $12 to $18 thousand

**Risk Factors**

- Pond expected process improvements to Regenurex plant are not substantially achieved
- Increases in retail product volumes and/or prices are not achieved
- Bulk price of Astaxanthin falls below the target price
- Risk factors as noted in the Risk Factors section below

### *(iii) MDE - Phase 1 Facility*

A Collaborative Study Agreement was signed with Markham District Energy Inc. on February 19, 2018. The purpose of the agreement is to conduct preliminary design and engineering and cost estimates and perform on-site gas and algae growth testing for the project. Pond's goal is to create a commercial size operating facility located in Markham, Ontario to produce nutraceutical grade algae products.

Pond has commenced design and engineering work for the construction of nutraceutical bioreactors for the MDE site. The following sets out the estimated annual revenue, estimated gross margin and certain key assumptions and underlying risks associated with achieving a fully operating plant.

**Estimated Fully Operational Annual Revenue -** $8 to $10 million
**Estimated Fully Operational Gross Margin -** 60% to 70%

**Key Assumptions When Fully Operational**
- Fully operational Q2 2020
- Pure Astaxanthin produced per year – 1,200kg
- Bulk price of Astaxanthin per kg – $7 thousand

**Risk Factors**
- Delay in construction of facility
- Inability to negotiate binding site and services lease with MDE
- Project or other financing of between $11 million and $13 million is not obtained to build out the plant.
- Bulk price of Astaxanthin falls significantly
- Risk factors as noted in the "Risk Factors" section below

## Technology Services – Business Segment

*Algae Plant Sales – Excludes recurring royalties and plant operational fees*

*Stelco Algae Holdings Inc ("SAHI") – Phase 1*

The first phase of the SAHI plant (as described under "Recent Developments" below) is a 45KL algae seed plant to be built at Stelco's steel mill located in Nanticoke, Ontario. Pond has received a purchase order and is in the process of completing the 45KL algae seed system of the first phase of this project.

The completion of the first phase and second phase is expected to be a fully operational 1.5ML plant and is subject to the obtaining of project financing of between $20m and $22m. The balance of the project financing has been secured from the Ontario Centres of Excellence (OCE) and Pond. Pond would receive royalties, revenue from sale of proprietary equipment as well as an operating contract as these projects proceed.

**Revenue 45KL Seed System* -** $3.6 million **Gross Margin -** 10%
*Revenues exclude royalties and plant operational fees for Phase 1

**Key Assumptions**
- Plant construction and designed processes remain as per current engineered plans
- Estimated costs are based on confirmed orders or estimated amounts to purchase

**Risk Factors**
- Purchase order is cancelled before completion or performance conditions cannot be met
- Unforeseen manufacturing, installation complications
- Cost escalations which cannot be passed on to the customers

**Recent Developments**

*Federal Development Agency Agreement, as amended*

Pond and the Minister responsible for the Federal Economic Development Agency ("**FedDev**") for Southern Ontario representing Her Majesty the Queen in Right of Canada entered into a contribution agreement (the "**Federal Development Agency Agreement**") on February 6, 2012, pursuant to which FedDev has agreed to make a repayable contribution to Pond up to a maximum amount of approximately $908 or 33.33% of Pond's eligible and supported costs as defined in the terms of the Federal Development Agency Agreement relating to the development of an integrated carbon capture and algae production demonstration facility in St. Marys, Ontario, to validate Pond's technology that uses raw stack emissions from a cement plant. The Federal Development Agency Agreement was amended on March 28, 2014, on August 18, 2014 and again on January 9, 2017 to provide for an amended repayment schedule through to December 1, 2020. The loan balance as at March 31, 2019 was $324.

*Crystal Wealth Management System Ltd. ("**CW**")*

On February 19, 2016, Pond entered into a secured loan agreement with CW with a maximum credit amounting to $4,500 bearing interest at 12% per annum. The loan is secured by a general security agreement with a first charge on the Corporation's assets and a specific assignment of rights in all patents.

On August 11, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms include a loan maturity extension to June 30, 2019, reduction of quarterly interest payable to 8%, deferral of quarterly interest payable of 4%, a ("**First Interest Payment**") due of $581 payable on November 30, 2017 and a principal repayment of $1,000 on December 31, 2017. The amendment also requires Pond to make principal loan repayments if it raises in excess of $10,000 in financing during the term of the loan. In that event, the amount of the principal loan repayment will be 20% of the proceeds in excess of $10.

On November 16, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms include an extension of the repayment to the First Interest Payment to December 21, 2017 and an extension fee of $10.

On December 19, 2017, Pond signed a second amendment to its loan agreement with CW. The amended terms include an extension of the principal repayment of $1,000 and the First Interest Payment to January 31, 2018 and an extension fee of $10 payable in cash upon the execution of the loan amendment.

On December 29, 2017, Pond made an early payment of the First Interest Payment of $581 and the second interest payment of $31.

On January 30, 2018 Pond paid $1,000 to CW to reduce the promissory principal loan balance from $4,500 to $3,500 which matures on June 30, 2019.

On May 14, 2019 Pond signed a further amendment to its loan agreement with CW. The amendments included amongst other things an extension of the principal and deferred interest repayments to June 30, 2021 and an early redemption incentive of $500 (see Subsequent Events).

*Brokered private placement (February 2017)*

On February 23, 2017, Pond issued 450,000 units ("**Units**") at a price of $2.00 per Unit for total consideration of $900 (the "**February 2017 Brokered Private Placement**"). Each Unit was comprised of one Pond Share and one Pond Warrant. Pond also issued 36 Units (each, an "**Agent Unit**") to the selling agents under the private placement, which may be exercised at a price of $2.00 per Agent Unit. Each Agent Unit entitles the holder thereof to one Pond Share and one Pond Warrant. The Pond Warrants issued under the February 2017 Brokered Private Placement may be exercised for one additional Pond Share at a price of $2.50 per Pond Share until February 23, 2019 (Warrant expiry date extended to January 30, 2021).

*Markham MOU*

Markham District and Pond entered into a memorandum of understanding (the "**Markham MOU**") on June 16, 2017 to establish the framework for collaboration on a project to evaluate the potential environmental benefits and revenue streams from combining Markham District's emissions technology and Pond's algae growing platform. The Markham MOU contemplates the first phase of the project to include (i) the testing of MDE emissions for growth of different algae species, (ii) investigation of the market opportunity for offtakes of the selected algae species and quantity, and (iii) modeling of capital and operational expenses to finalize the business case for application of Pond technology. The original term of the MDE MOU expired on June 30, 2018, and the term was extended. At the present time MDE and Pond are negotiating the definitive agreement, and each party shall bear its own costs incurred until a definitive project agreement is signed and comes into effect.

A Collaborative Study Agreement was signed with MDE. on February 19, 2018. The purpose of the agreement is to conduct preliminary design and engineering and cost estimates and perform on-site gas and algae growth testing for the project. The project is a greenhouse gas abatement facility to be located at MDE's Warden Energy Centre using Pond's algal growing technology to grow high-value algae products.

Pond continues testing the growth of different high value algae strains using MDE's $CO_2$ emissions to produce nutraceutical products. Pond advanced the design and engineering work for the construction of a full commercial nutraceutical algae facility for the site.

*Brokered private placement (September 2017)*

On September 21, 2017, Pond issued 240,000 Units at a price of $2.00 per Unit for total consideration of $480 (the "**September 2017 Brokered Private Placement**"). Each Unit was comprised of one Pond Share and one Pond Warrant. Pond also issued 19,200 Units (each, an "**Agent Unit**") to the selling agents under the private placement, which may be exercised at a price of $2.00 per Agent Unit. Each Agent Unit entitles the holder thereof to one Pond Share and one Pond Warrant. The Pond Warrants issued under the September 2017 Brokered Private Placement may be exercised for one additional Pond Share at a price of $2.50 per Pond Share until September 20, 2019 (Warrant expiry date extended to January 30, 2021).

*Brokered private placement (December 2017)*

On December 28, 2017, Pond issued 1,000,000 Units at a price of $2.40 per Unit for total consideration of $2,400 (the "**December 2017 Brokered Private Placement**"). Each Unit was comprised of one Pond Share and one Pond Warrant. Pond also issued 80,000 Units (each, an "**Agent Unit**") to the selling agents under the private placement, which may be exercised at a price of $2.40 per Agent Unit. Each Agent Unit entitles the holder thereof to one Pond Share and one Pond Warrant. The Pond Warrants issued under the December 2017 Brokered Private Placement may be exercised for one additional Pond Share at a price of $3.00 per Pond Share until December 28, 2019 (Warrant expiry date extended to January 30, 2021).

*Completion of business combination (January 2018)*

On January 30, 2018, the Corporation completed a business combination (the "**Transaction**") with Pond Technologies Inc. by way of a "three-cornered amalgamation". The Transaction was completed pursuant to an amalgamation agreement dated October 4, 2017, as amended November 16, 2017, December 15, 2017, and December 21, 2017, between the Corporation and its wholly-owned subsidiary, 2597905 Ontario Inc., and Pond Technologies Inc. Pursuant to the Transaction: (i) all of the issued and outstanding common shares in the capital of the Corporation were consolidated on the basis of a 6.9 pre-consolidation shares for one post-consolidation share; (ii) the Corporation changed its name from "Ironhorse Oil & Gas Inc." to "Pond Technologies Holdings Inc."; (iii) all of the issued and outstanding common shares in the capital of Pond Technologies Inc. were cancelled and exchanged on a one for one basis for 15,373,117 common shares of the Corporation; (iv) all of the outstanding stock options and warrants of Pond Technologies Inc. were cancelled and exchanged for equivalent stock options and warrants of the Corporation; and (v) 2597905 Ontario Inc. and Pond Technologies Inc. amalgamated and became a wholly-owned subsidiary of the Corporation.

*Brokered concurrent equity financing (January 2018)*

Concurrent with the completion of the Transaction on January 30, 2018, Pond Technologies Inc. completed a brokered equity financing by issuing 2,641,873 subscription receipts ("**Subscription Receipts**") at a price of $2.40 per Subscription Receipt, for aggregate gross proceeds of $6,340. As part of the commission payable to the agents under the financing, the agents received 194,681 Units (an "**Agent Unit**") as compensation. Each Agent Unit entitles the holder to purchase one Pond share and one Pond warrant at a price of $2.40 until January 30, 2020 (Warrant expiry date extended to January 30, 2021). The Agent Pond Warrants issued under the January 30, 2018 brokered placement may be exercised for one additional Pond Share at a price of $3.00 per Pond Share until January 30, 2020.

*Satisfaction of conditions to close Transaction*

As a result of the satisfaction of the conditions to closing the Transaction, the escrow release conditions in respect of the Subscription Receipts were satisfied and the net financing proceeds were released to Pond Technologies Inc. and each Subscription Receipt was automatically exchanged for one common share of Pond Technologies Inc. and one common share purchase warrant of Pond Technologies Inc., with each such warrant entitling the holder thereof to purchase one common share of Pond Technologies Inc. at a purchase price of $3.00 and expiring on January 30, 2020. In connection with the completion of the Transaction, such shares and warrants were subsequently cancelled and exchanged for equivalent common shares and warrants of the Corporation.

*Change of trading symbol*

The Corporation's trading symbol was changed from "IOG" to "POND" upon issuance by the TSX Venture Exchange of its final bulletin in respect of the Transaction, which occurred on February 6, 2018.

*Appointment of Directors*

On January 30, 2018 Dr. Geraldine Kenney-Wallace, Steve Martin, J William Asselstine, Robert McLeese were elected and appointed as directors of the Corporation and Larry J. Parks, Michael A. Royan, Robert Desbarats and Wayne W. Chow resigned as directors of the Corporation.

*St Marys Cement Inc. loan repayment in full (March 2018)*

On March 2, 2018 Pond paid SMC $300 principal and $82 interest to settle in full the outstanding demand loan with SMC in full and discharge SMC's security interest in Pond's assets.

*Exercise of Agent Warrants*

On August 2, 2018 the Corporation issued 2,406 shares and 2,406 warrants for a total consideration of $6 upon the exercise of 2,406 Agent Warrants at $2.40.

*Stelco Algae Holdings Inc. - Notice to Proceed, Purchase Order and Promissory Note*

On September 25, 2018 SAHI and Pond signed a Notice To Proceed agreement which authorized Pond to proceed with the manufacture, and installation of a 45,000L bioreactor system at a steel mill located in Nanticoke, Ontario. The Notice to Proceed was followed by a purchase order in the amount of $3,597.

On September 25, 2018 Pond entered into a secured promissory note to lend SAHI up to $2,500 to support the development of an algae carbon abatement facility at a steel mill. The promissory note matures on September 25, 2019. On September 27, 2018 Pond advanced $2,136 to SAHI to support the payment of Pond's invoice and received $1,136 in repayments in the fourth quarter 2018 from monies received by SAHI from the Ontario Centre of Excellence Target GHG funding program and HST. On March 26, 2019 Pond advanced a further $661 to support the payment of Pond's invoice.

*Reporting Issuer in Ontario*

On November 8, 2018, and as a result of Pond's significant connection to Ontario as contemplated in the policies of the TSX Venture Exchange, the Corporation obtained an order from the Ontario Securities Commission to become a reporting issuer in Ontario.

*Exclusive Distribution Agreement*

On November 30, 2018 Pond acquired the exclusive Canadian distribution and sales rights for certain products of RFI, a U.S. based food ingredient and health nutrition blend supplier. RFI is a leading North American purchaser and re-seller of Spirulina and Chlorella, providing Pond with a vertical integration channel for its algae and related products.

Pond received the exclusive distribution rights for an initial term of 5 years with an exclusive right to renew for a further 5 years provided certain sales targets are met, which management believes will be attained. Pond Naturals will resell certain RFI products and promote algae derived products into growing high value markets, including nutraceuticals, food colorants, cosmetics, and animal and aquaculture feeds.

Consideration for the purchase by Pond of the exclusive distribution rights to the RFI products is comprised of $320 in Pond shares issued from treasury based on the value of the shares at closing on November 29, 2018 and $320 in cash.

*Extension of warrants*

On January 4, 2019 the Corporation received approval from the TSX Venture Exchange to extend the expiry dates of five tranches of warrants.

The first tranche includes warrants exercisable to purchase 335,000 common shares of Pond at $2.50 per share, with an original expiry date of December 21, 2018; the second tranche includes warrants exercisable to purchase 450,000 common shares of Pond at $2.50 per share, with an original expiry date of February 23, 2019; the third tranche includes warrants exercisable to purchase 240,000 common shares of Pond at $2.50 per share, with an original expiry date of September 21, 2019; The fourth tranche includes warrants exercisable to purchase 1,000,000 common shares of Pond at $3.00 per share, with an original expiry date of December 28, 2019; and the fifth tranche includes warrants exercisable to purchase 2,644 common shares of Pond at $3.00 per share, with an original expiry date of January 30, 2020.

The expiry date of all five tranches of warrants has been extended to January 30, 2021. All other terms and conditions of each tranche of the warrants remain unchanged.

*Acquisition of Regenurex Health Corporation*

On January 30, 2019, the Corporation closed its acquisition of Regenurex Health Corporation ("**Regenurex**"). The acquisition was effected by way of a three-cornered amalgamation, under the provisions of the *Business Corporations Act* (British Columbia), pursuant to an Amalgamation Agreement. At closing, Regenurex and Pond Naturals Inc. amalgamated, with the resulting entity continuing to conduct Regenurex' s operations under the name "Pond Naturals Inc."

As consideration for their Regenurex shares, Regenurex shareholders will receive up to 6,250,000 Pond shares with such Pond shares valued by the parties, at the time of entering into the Amalgamation Agreement, at $0.80 per share, or $5,000 in the aggregate. The below summarizes the manner in which such Pond Shares shall be issued:

- Upon amalgamation, former holders of the Class A preferred shares of Regenurex received 3,539,198 non-voting senior preferred shares of Pond Naturals Inc. The senior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 2,211,998 Pond shares.

- Upon amalgamation, former holders of the common shares of Regenurex received 18,219,200 junior preferred shares of Pond Naturals. The junior preferred shares are exchangeable at the election of the holders thereof until August 1, 2022, at which time they will be automatically exchanged, for an aggregate of 4,038,002 Pond shares (subject to a downward adjustment in the event any undisclosed liabilities of Regenurex over $50 are discovered within six months of closing).

In connection with closing of the transaction, all of the outstanding stock options and warrants of Regenurex were cancelled or exchanged for Regenurex common shares (and then subsequently exchanged for junior preferred shares of Pond Naturals Inc. pursuant to the amalgamation). In addition, at closing the Corporation capitalized Pond Naturals Inc., by way of equity subscription, with $275 (in addition to $225 previously paid by the Corporation to Regenurex in respect of astaxanthin pre-orders made prior to closing) in order to assist Pond Naturals Inc. in pursuing its business objectives.

As at May 28, 2019, the Corporation is in the process of obtaining information in order to complete the purchase price allocation in accordance with IFRS 3, Business Combinations.

## Overview of the Corporation's Business

The Corporation's principal place of business is now located at Unit 8, 250 Shields Court, Markham, Ontario with the primary purpose of pursuing microalgal biomass cultivation using available sources of carbon dioxide ($CO_2$), including $CO_2$ rich emission sources from industrial plants. The resultant algae is used in the supply of nutraceuticals, superfoods, aquaculture and animal feeds, as feedstock in the production of biofoams and algae based biomaterials, and to also supply other algae derived product markets.

The Corporation is actively pursuing opportunities in the nutraceutical and superfood marketplace. In addition, the Corporation is also working to extend its technology applications into related verticals, including the exploitation of its proprietary integrated growth platform for terrestrial plants, where it has sought additional intellectual property protection for these applications.

*Commercial Revenue-Generating Bioreactors*

Pond continues to make significant improvements in the development of its technology, providing for shipping container-size bioreactors to be used in the production of high value products derived from the growth of specific strains of algae. Pond is seeking to demonstrate the technical advantage afforded by its bioreactor platform, through the production of high value algae, and will continue its efforts towards targeted end product licensing of its technology to existing or new algae producers, industrial emitters, and related industries including the “precision agriculture” vertical. If successful, this will result in a significantly improved revenue outlook for Pond over the near term. This should also provide support for additional license and royalty fees, and proprietary equipment sales.

In early 2015, Pond began to grow *H. pluvialis*, an example of high value algae. *H. pluvialis* contains astaxanthin which is both a powerful antioxidant, and necessary nutritional supplement for aquaculture feeds.

To date, *H. pluvialis* has proven difficult to cultivate industrially. Currently, much of the world's commercial supply is grown in very large outdoor ponds, where maintaining steady production levels, and achieving consistent quality, in addition to concern over contamination issues, are all significant operating difficulties.

Pond’s algae growth platform, based upon enclosed, controlled, and monitored photobioreactors, may provide a significant competitive advantage, and allow the Corporation to compete effectively on quality, consistency of supply, and price. Pond’s strategy is to demonstrate its technological advantage, with its lighting, illumination, and power control technology (Pond’s “light engine” technology) as the cornerstone, establishing a presence in the market, which will allow Pond to approach entrenched producers with a view toward licensing its technology.

**Overall Performance**

The Corporation’s research and development work has positioned the Corporation to be able to deploy its technology on a commercial basis once further adoption of the technology by industry is achieved. Pond has completed a commercial sale of its bio-reactor technology and continues to expand the application of its technology. Pond is in discussions with industrial stack emitters to adopt its technology to grow microalgal and reduce the emitters of $CO_2$ emissions, which if successful would result in the sale and adoption of commercial size Pond bioreactors and related technology. Pond will have working capital requirements arising from the commercial sale of its technology and the amount of working capital required will depend on the type and terms of any contract agreed to with a customer.

After signing the MDE memorandum of understanding, Pond during the first quarter in 2019 continued to negotiate the terms of a definitive project agreement to commercially grow nutraceutical type algae products at the MDE Warden facility. Pond’s goal is to build and own a commercial 200,000L nutraceutical algae facility located at MDE in Markham, Ontario to produce astaxanthin, phycocyanin, and other nutraceutical grade algae products. The amount of capital and working capital required to build an operating facility will be dependent upon the project’s sources of funding, building availability and time to construct and commission the facility.

Please see “*Discussion of Operations*” below for a comparison of the Corporation’s performance in the three months ended March 31, 2019 to the three months ended March 31, 2018.

**Discussion of Operations**

The results of continuing operations for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 is as follows:

**Selected Financial Information**

The following table sets forth a summary of the Corporation's results of operations:

| **For the three months ended March 31,**<br>$ (000's) | **2019** | Note 1<br>Restated<br>2018 |
|---|---|---|
| Revenue from operations | **1,989** | 498 |
| Direct costs and expenses | **(1,528)** | (411) |
| Operating expenses | **(582)** | (393) |
| General and administrative expenses | **(535)** | (304) |
| Stock-based compensation | **(46)** | (15) |
| Interest income | **7** | 5 |
| Finance expenses | **(118)** | (158) |
| Amortization and depletion | **(242)** | (205) |
| Net (loss) from operations | **(1,056)** | (983) |
| Basic (loss) per common share from operations ($)(1) | **(0.05)** | (0.06) |
| Diluted (loss) per common share from operations ($)(1) | **(0.04)** | (0.06) |
| Total assets | **15,404** | 11,057 |
| Total current liabilities | **6,133** | 1,238 |
| Total non-current liabilities | **304** | 3,774 |

*Note:*

(1) Certain balances in 2018 have been reclassified to conform to the current year's basis of presentation.

(2) Basic loss per share is calculated by dividing the net loss by the weighted average number of shares in issue and outstanding during the quarter. The dilutive loss per common share is calculated by dividing the net loss by the weighted average number of shares issued and outstanding and the shares to be issued for the acquisition of Regenurex. The potential effect of exercising stock options and warrants, as applicable, have not been included in the calculation of loss per share because to do so would be anti-dilutive.

The Corporation reported a net loss from operations of $1,055 for the three months ended March 31, 2019, (2018: loss of $983).

For the three months ended March 31, 2019 there was a $72 increase in net loss from operations, as compared to the three months ended March 31, 2018. This was principally due to:

*Trading*

- Revenue increase by of $1,491. The increase was primarily related to $660 of revenue from the sale and installation of an algae bioreactor to Stelco Algae Holdings Inc. and $878 of revenue from Pond Naturals, neither of which occurred in Q1 2018.

- Increase in directly costs and expenses of $1,117 related primarily to $574 of direct cost and expenses associated with the sales of an algae bioreactor and $748 of purchase of Pond Naturals ingredients which did not occur in Q1 2018.

- The result of the increase in revenue, less the increase in associated direct costs and expenses is a $375 improvement during the three months ended March 31, 2019 as compared to 2018.

*Operating, general and administrative expenses, stock-based compensation and amortization*

- Increase in operating expenses of $189 primarily due to:

  -$102 increase in salaries to support business development and work relating to the commercialization of Pond's technology;

  - $42 increase in accounting and contract work;

  - $27 increase in materials purchased for business projects; and

  - $18 increase in travel, transportation and product development work;

- Increase in general and administrative expenses of $231 primarily due to:

  - $134 increase in consulting fees and services relating to technology services research and business development;

  - $33 increase in legal fees due to January 2019 acquisition of Regenurex;

  - $30 increase in research and development relating to Regenurex; and

  - $34 net increase in other expenses.

- Increase in stock-based compensation of $31 arising from the directors receiving deferred share units with a value of $41 (2018; $Nil) and lower amounts of variable vesting period costs being expensed on a quarterly basis.

- Increase in amortization and depletion expense of $37 primarily due to:

  - $16 increase in the amortization of distribution rights which did not occur in 2018; and

  - $21 increase in other capital assets.

*Finance expenses and interest income*

- Decrease in finance expenses of $40, with such decrease primarily attributable to the repayment of $1,000 of principal of the CW loan in the first quarter of 2018.

- Increase in interest income of $2 arising from an increase in cash deposits.

*Project Development*

Pond is working towards signing significant project contracts, including in respect of the Markham MOU described above, as well as for other commercialization projects. Pond advanced the design and engineering work for the construction of nutraceutical bioreactors for the first phase development at the MDE site. Permit documents and site plans were prepared and submitted. Pond will report on project development as and when further such agreements are entered into and material advances have been made.

During 2018 the Corporation engaged Solaris, a full-service engineering consultancy, to design the full process-flow package for the first phase of a pollution abatement facility to be located within an existing building at Stelco's Nanticoke operations. This first phase, the seed train, will support a much larger commercial algae facility, allowing for large-scale commercial production of algae for markets that include sustainable proteins and as ingredients for bio-foams. The process package is now complete and will advance the Corporation's goal to improve the integration of equipment for pollution abatement, and supports sales and commissioning efforts by providing the appropriate engineering and marketing package to potential customers. With the design package completed the Corporation is proceeding with the procurement and construction stage, which included the current equipment test and commissioning phase at SMC development site, which is expected to be completed by Q2 2019. The equipment is being sold for $3.6 million to a special purpose vehicle company created for this project and owned by Stelco Algae.

The process-package that has been developed for the pollution abatement project at Stelco has been leveraged to assist in the design of the MDE nutraceutical plant. Solaris, together with in-house Pond engineering, were engaged during the quarters ended June 30, 2018, September 30, 2018 and December 31, 2018 to complete a nutraceutical process design package for a 200,000L algae facility to be located at the MDE Warden Energy Centre. The initial nutraceutical design package is now complete. Planned activities for the Corporation in the remaining quarters in 2019 include using the completed initial nutraceutical design package to develop a detailed facility cost estimation for the 200,000L nutraceutical plant – current estimate is $16.8m to complete the project.

Pond has been exploring the use of its technology to optimize the growth of terrestrial plants, including in particular cultivation of cannabis. Pond has been in discussions with a number of Licenced Producers to explore growth options and protocols and has begun filing for additional intellectual property to cover the use of its growth platform within the cannabis and other terrestrial verticals.

*Administrative Expenses*

General and administrative expenses are office expense, marketing and media expenses, director fees, legal fees, consultants, insurance, utilities and computer expenses. The $231 increase in general and administrative expenses for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 was primarily a $134 increase in consulting fees and services relating to technology services research and business development and a $33 increase in legal fees due to the January 2019 acquisition of Regenurex and $30 increase in development work relating to Regenurex; and

*Interest Income*

The Corporation earned interest income from its cash balances of $7 during the three months ended March 31, 2019 as compared to $5 for the three months ended March 31, 2018. The increase in earned interest is directly related to the maturity of a certificate of deposit held as security on the Corporation's oil and gas property which was not previously recognized as income.

*Finance Expenses*

Interest expense arises from interest expense incurred on the CW and Regenurex loans and interest accretion on the FedDev loan, and bank charges. The primary reason for the $40 decrease in finance expenses for the three months ended March 31, 2019 relates to the repayment of $1,000 of the CW loan on January 30, 2018 and $300 repayment of the SMC loan on March 2, 2018 as compared to the same period in 2019 where those balances were outstanding.

*Share Based Compensation*

From time to time the Corporation grants staff and directors share options. No share options were granted during the three months ended March 31, 2019 (2018: Nil). $5 of the $45 stock base compensation expense relates to the share options vesting in the first quarter which were granted in prior periods.

In October 2018 the Board approved a deferred share unit plan for a portion of director compensation. This resulted in a share-based compensation charge of $40 for the three months ended March 31, 2019 (2018: Nil).

*Net Loss*

Because of the changes noted above, the Corporation recorded a net operating loss of $1,055 or $0.05 per share for the three months ended March 31, 2019 as compared to a net loss of $983 or $0.06 per share for the three months ended March 31, 2018.

**Pembina**

The Corporation has a 15.625% working interest in 2 production wells located in the Pembina area of West Central Alberta. These wells are located at 09-05-050-06 W5M (9-5) and 3/14-05-50-06 W5M (14-5). These wells produce from a Devonian age Nisku Pool (L2L Pool) and are connected at the 07-05-050-06 W5M (7-5) satellite. Oil and solution gas from the L2L Pool flow from the 7-5 satellite to the Sinopec Daylight Energy Limited ("SDEL") 13-2-50-06 W5M (13-2) Battery via a SDEL owned pipeline.

The gas production from the L2L Pool has a hydrogen sulfide (H2S) content of approximately 20%. The sweet oil is separated from the gas and is pipelined to a Pembina Pipelines' oil sales point at 15-15-49-06 W5M. The remaining sour gas must then be pipelined to the SDEL battery and then compressed and transported via pipeline to the Keyera Minnehik-Buck Lake gas plant, where the sulphur is extracted and the remaining sweet gas can be sold to market.

Due to safety regulations related to the high H2S content and limitations to the various existing pipelines in place to transport the sour gas, sweet gas must be purchased and blended into the produced gas stream to reduce the H2S content to meet various pipeline specifications. The purchase and processing of this blending gas is a required operating expense in order to handle the eventual sale of the solution gas produced from the L2L pool.

The L2L pool has an enhanced recovery scheme for water injection to maximize oil recovery. A voidage replacement rate (VRR) of 1.0 must be maintained to ensure proper reservoir pressure whereby the same volume of production is replaced with water. In addition to the 2 producing wells, the Company has a 15.625% working interest in a water injection well at 2/10-05-50 W5M (10-5) that currently supports water injection for the 9-5 and 14-5 wells. Typical of a waterflood, with water injected into the reservoir, the percentage of water produced with the oil will increase over time. Currently, the 14-5 well is producing at an 85% water cut and the 9-5 well is producing at a 10% water cut.

**Financial and Operating Review Petroleum and Conventional Natural Gas Operations**

Since the business combination Transaction occurred on January 30, 2018, the Q1 2018 comparatives provided in the following MD&A represents 2 months of activity as compared with three full months for Q1 2019.

### Quarterly Financial Information

| | 2019 | 2018 | | | |
|---|---|---|---|---|---|
| ($ per thousands except per unit data) | **Q1** | Q4 | Q3 | Q2 | Q1 |
| Volumes | | | | | |
| Oil & NGLs (bbl/d) | **84** | 98 | 125 | 72 | 125 |
| Natural gas (mcf/d) | **70** | 72 | 99 | 55 | 141 |
| Total (boe/d) | **95** | 110 | 142 | 81 | 148 |
| Revenues | **442** | 356 | 812 | 476 | 463 |
| Royalties | **163** | 136 | 313 | 196 | 191 |
| Operating Costs | **67** | 88 | 276 | 110 | 195 |
| Operating Netback | **24.84** | 14.25 | 17.15 | 22.87 | 8.90 |

### Production

| | Three months ended March 31 | | |
|---|---|---|---|
| | **2019** | 2018 | % Change |
| Light oil & NGL (bbl/d) | **84** | 125 | (33) |
| Natural gas (mcf/d) | **70** | 141 | (50) |
| Total boe/d | **95** | 148 | (36) |
| Volumes by product | | | |
| Oil & NGL | **88%** | 84% | 5 |
| Natural gas | **12%** | 16% | (25) |

For the three months ended March 31, 2019, Pond's average daily light oil and NGL sales volumes were 33% lower at 84 boe/d compared to 125 boe/d for the two months ended March 31, 2018, with natural gas production being 50% lower at 70 mcf/d in Q1 2019 versus 141 mcf/d in Q1 2018. Although 2018 represents one month less production than Q1 2019, Q1 2019 production was 8,568 barrels of oil equivalent January to March 31, 2019 versus 8,732 barrels of oil equivalent for the period February 1 to March 31, 2018 as the Pembina wells were shut in for the first 2 weeks in January 2019 due to low commodity prices, February production was restricted as a result of cold weather affecting the supply of purchased blend gas and early in March, production was restricted due to continued cold weather. By the end of March, production rates returned to normal.

## Commodity Prices

| | Three months ended March 31 | | |
|---|---|---|---|
| | **2019** | 2018 | % Change |
| Average benchmark prices | | | |
| WTI (US$/bbl) | **54.81** | 62.87 | (13) |
| Canadian Light Sweet ($/bbl) | **66.92** | 72.22 | (7) |
| AECO spot ($/mmbtu) | **2.62** | 2.06 | 27 |
| Realized Prices | | | |
| Light oil & NGLs ($/bbl) | **56.23** | 60.47 | (7) |
| Natural gas ($/mcf) | **3.11** | 2.27 | 37 |
| Total ($/boe) | **51.63** | 53.03 | (3) |

## Revenues

| | Three months ended March 31 | | |
|---|---|---|---|
| ($ thousands) | **2019** | 2018 | % Change |
| Light oil & NGL | **423** | 444 | (5) |
| Natural gas | **19** | 19 | 0 |
| Total | **442** | 463 | (5) |

### Revenues and Commodity Prices

The Corporation's realized natural gas and oil prices vary from benchmark prices due to transportation and location differentials. The Pembina oil quality is approximately 42 degree API which attracts a high market price compared with heavier density crude oil.

Prices in Q1 2019 were slightly lower than Q1 2018, with overall revenue being 5% lower at $442 compared to $463 this being a combination of comparing 3 months of production in Q1 2019 as compared to 2 months in Q1 2018, offset by lower production volumes on a boe/day basis due to the operational issues in Q1 2019 as previously described.

### Royalties

| | Three months ended March 31 | | |
|---|---|---|---|
| ($ thousands except boe) | **2019** | 2018 | % Change |
| Oil & NGL | **174** | 196 | (11) |
| Natural gas | **(11)** | (5) | 120 |
| Royalties | **163** | 191 | (15) |
| Royalties % | **37%** | 41% | (10) |
| Royalties per boe | **18.98** | 21.82 | (13) |

Royalties represent charges against production or revenue by governments and mineral right owners. From period to period royalties vary due to changes in the production mix, the components of which are subject to different royalty rates, production rates and sales prices. The Pembina wells are subject to crown royalties based on specific calculations per product type. Oil, being the predominate product, is calculated on a sliding scale basis with a maximum rate of 40%. In addition to the crown royalties, the properties are encumbered with a gross overriding royalty as well.

For the three months ended March 31, 2019, royalties were $163, a 15 percent decrease from $191 for the two months of production in Q1 2018. As overall production for Q1 2019 versus Q1 2018 is only 5 percent lower, the 15 percent decrease in royalties is mainly due to the result of prior period gas cost allowance credits recorded in Q1 2019 as compared to Q1 2018.

## Operating Expenses

| | **Three months ended March 31** | | |
|---|---|---|---|
| ($ thousands except boe) | **2019** | 2018 | % Change |
| Operating expenses | **67** | 195 | (66) |
| Operating expenses per boe | **7.81** | 22.30 | (65) |

Operating expenses were $67 or $7.81/boe for the three months ended March 31, 2019 compared with $195 or $22.30/boe for the period ended March 31, 2018. Operating expenses were significantly lower in Q1 2019 compared to Q1 2018 as a result of a $76 thirteenth month equalization credit received in Q1 2019 for the 2017 production period. Certain volumetric based fees are charged by the plant operator based on estimated costs which are subsequently reconciled against actual costs and plant throughput volumes which can result in reimbursements or additional charges once the fees are finalized. The fees for 2017 were overestimated, with the credits being received in Q1 2019. In addition, Q1 2018 had higher prior period operating expenses adjustments recorded in comparison with prior period adjustments booked in Q1 2019.

## Operating Netbacks

| | **Three months ended March 31** | | |
|---|---|---|---|
| | **2019** | 2018 | % Change |
| Average sale price: | | | |
| Oil & NGL ($/bbl) | **56.23** | 60.47 | (7) |
| Natural gas ($/mcf) | **3.11** | 2.27 | 37 |
| Revenue ($/boe) | **51.63** | 53.03 | (3) |
| Royalties ($/boe) | **(18.98)** | (21.83) | (13) |
| Operating expenses ($/boe) | **(7.81)** | (22.30) | (65) |
| Operating netback ($/boe) | **24.84** | 8.90 | 179 |

The Corporation's oil and conventional natural gas operating netbacks related to the Pembina wells were $24.84/boe for Q1 2019 as compared with $8.90/boe for Q1 2018. Although prices and overall production were slightly lower in Q1 2019, as compared to Q1 2018, operating netbacks were 179 percent higher. The higher netbacks in the current period were mainly due to higher gas cost allowance credits received which resulted in lower royalties and equalization credits for 2017 operating expenses received in Q1 2019.

## Depletion and Amortization

| ($ thousands except boe) | Three months ended March 31 2019 | 2018 | % Change |
|---|---|---|---|
| Depletion and amortization | **110** | 116 | (5) |
| Depletion and amortization ($/boe) | **12.84** | 13.23 | (3) |

Depletion and amortization expense was $110 or $12.84/boe for Q1 2019 as compared to $116 or $13.23/boe for Q1 2018. Depletion variances as compared between periods are due to changes in production volumes and reserve volumes included in the depletion base.

*Key management compensation*

Key management includes key executive management and the Corporation's Board of Directors. The Corporation provides a benefit plan and other allowances to executive officers. In additional, key executive officers are granted stock options at the discretion of the Board of Directors and directors may elect to receive a portion of their compensation in deferred share units.

Key management compensation for the three months ended March 31 is comprised of:

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Stock-based compensation for management and directors | **$** | **46** | $ | 29 |
| Director and committee fees paid in cash | | **8** | | 9 |
| Salaries and employee benefits | **$** | **167** | $ | 142 |

## Summary of Quarterly Results

| Financial ($000's except shares) | 2019 Q1 31-Mar | Year Ended 2018 Q4 31-Dec | Q3 30-Sep | Q2 30-Jun | Q1 31-Mar | Year Ended 2017 Q4 31-Dec | Q3 30-Sep | Q2 30-Jun |
|---|---|---|---|---|---|---|---|---|
| **Revenue from operations** | **1,989** | 2,512 | 993 | - | 498 | - | - | - |
| **Earnings / (loss) from operations** | **(702)** | (1,866) | (599) | (1,578) | (625) | (939) | (484) | (488) |
| **Net earnings / (loss)** | **(1,055)** | (1,701) | (908) | (1,794) | (983) | (1,031) | (656) | (655) |
| **Earnings / (loss) per share from operations** | **(0.05)** | (0.09) | (0.05) | (0.09) | (0.05) | (0.06) | (0.06) | (0.06) |
| **Net earnings / (loss) per share (1)** | **(0.05)** | (0.09) | (0.05) | (0.09) | (0.05) | (0.06) | (0.06) | (0.06) |
| **Cash from /(used in) provided by continuing operations** | **(1,899)** | (2,113) | 913 | (1,537) | (1,499) | (991) | (322) | (258) |
| **Capital expenditures** | **(57)** | (15) | (13) | (16) | (83) | (7) | (4) | (29) |
| **Cash and cash equivalents net of short-term debt** | **(3,351)** | (874) | 98 | 1,160 | 4,924 | (1,450) | (2,454) | (2,217) |

*Note:*

(1) Basic loss per share is calculated by dividing the net loss by the weighted average number of shares in issue and outstanding during the quarter. The dilutive loss per common share is calculated by dividing the net loss by the weighted average number of share issued and outstanding and the shares to be issued for the acquisition of Regenurex. The potential effect of exercising stock options and warrants, as applicable, have not been included in the calculation of loss per share because to do so would be anti-dilutive.

The Corporation's revenue of $1,989 for the three months ended March 31, 2019 arose primarily from the Corporation's three business segments; $879 Nutraceutical products, $668 technology services and $ 442 oil and conventional natural gas.

The Corporation's quarterly losses fluctuate primarily by the amount of percentage of completion of third party project work, amount of development work undertaken, the amount of government grants earned which are offset against the development costs incurred in a quarter and consultant and advisors used. The $72 increase in the loss incurred for the three months ended March 31, 2019, compared to the three months ended March 31, 2018 was primarily due to operating costs incurred to support the commercialization of Pond's products, costs associated with completing the acquisition of Regenurex and a temporary shutdown of the Pembina oil and conventional natural gas property.

Net cash used in operations of $1,899 in the first quarter is a result of:

- Receipts from customers of $1,097;
- Less contract receivable, net cash payment $627;
- Less payments to suppliers and employees of $2,306;
- Plus interest received $9; and
- Less interest payments of $72.

The reduction in cash, net of short-term debt, is primarily related to the net cash used in operations.

**Liquidity and Capital Resources**

For the three months ended March 31, 2019, the Corporation's cash balance decreased by $2,202 as compared to a $4,879 increase in 2018. The decrease in cash was a result of net cash out flows of $1,899 for operating activities, net cash inflows of $4 in investing activities, cash arising from the Regenurex business combination of $61 and net cash outflows of $304 from financing activities

*Net cash used in operating activities*

Net cash used in operating activities in the three months ended March 31, 2019 was $1,899 (2018: $1,365). The Corporation received $1,097 from customers (2018: $463), and paid $2,306 to suppliers and employees (2018: $1,671). The Corporation also paid interest on loans of $72 during the three months ended March 31, 2019 (2018: $161). The decrease is due to the deferral of 4% of interest on the CW loan. The Corporation received interest income of $9 from cash and certificate of deposits for the three months ended March 31, 2019 (2018: $4).

*Net cash used in investing activities*

Net cash received in investing activities in the three months ended March 31, 2019 was $4 (2018: $2,046 net cash used). For the three months ended March 31, 2019 the Corporation assumed cash of $61 from the acquisition of Regenurex (2018: $2,129 Ironhorse business combination). The Corporation paid $57 for the purchase of capital assets and patents for the three months ended March 31, 2019 (2018: $83).

*Net cash provided by financing activities*

During the three months ended March 31, 2019 the Corporation made $307 loan repayments (2018: $1,300) and the proceeds from share issuance were $Nil (2018: $5,498).

## Commitments and Contingencies

*Loans Payable*

As at March 31, 2019, $3,973 of the Corporation's loan obligations were current and due within one year (2018: $128) and relate primarily to the CW loan which matures on June 30, 2019 (see Subsequent Events re extension of maturity date). The Corporation's non-current obligations of $126 relate to a loan payable to the FedDev.

The loan obligations to CW are secured over all the assets, undertaking and property of Pond Technologies Inc. The Regenurex and FedDev loans are unsecured.

*Leases*

The Corporation has entered into equipment and premise leases, with total minimum annual payments outstanding as at March 31, 2019 of $81 (2018: $33).

*Contingencies*

The Corporation is contingently liable with respect to litigation claims and environmental matters that may arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Corporation. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

*Litigation*

Concurrent with the closing of the business combination Transaction noted above, the Corporation assigned all its rights and interest in all claims made by the Corporation in the existing litigation with Sinopec Daylight Energy Ltd ("**Sinopec**") to Grizzly Resources Ltd. ("**GRL**"). GRL assumed the rights and interest and indemnified the Corporation from and against all of the Corporation's liabilities in respect of the claim made by Sinopec in the Sinopec litigation and all future costs associated therewith.

## Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

## Related Party Transactions

The Corporation enters into related transactions with management and agreements with its shareholders. Details of these transactions for the three months ended March 31, 2019 and 2018 and balances are as follows:

| For the Three Months Ended March 31 ($ 000's) | 2019 | 2018 |
|---|---|---|
| ***Transactions during the quarter:*** | | |
| Loan interest | **72** | 78 |
| Legal services rendered to the Corporation | **13** | - |
| Pembina property management fee | **23** | 15 |
| Salaries and short-term employee benefits | **167** | 132 |
| | | |
| ***Balances, end of quarter*** | | |
| Loan payable from CW | **3,500** | 3,500 |

The loans payable and interest amounts relate to loan amounts advanced by CW who are shareholders of the Corporation. Pond has engaged InHaus Legal to provide various guidance and counsel services to the Corporation. The engagement is based on a fixed monthly minimum fee of $8 and the services can be terminated at any time. A member of Pond’s executive management is a partner of Inhaus Legal and share options have been granted to InHaus Legal as part of the executive’s compensation. After completing the amalgamation Transaction, the Corporation entered into an amended management agreement with Grizzly Resources Inc, for a monthly fee of $7.5 to manage the Pembina oil and gas property. One of the Corporation’s directors is a director of Grizzly Resources Inc. The management agreement will be terminated when the property is sold.

## Subsequent Events

*Plant Adaptive Intelligence Growth Engine*

On April 17, 2019 the Corporation announced the incorporation of PaiGE Growth Technologies Inc., (“PaiGE”). PaiGE (Plant Adaptive Intelligence Growth Engine) is a wholly owned subsidiary focused on the global terrestrial plant and Cannabis Industry. PaiGE is designed to leverage Pond's extensive Intellectual Property portfolio and the data gathered over 10 years of growing complex organisms into comprehensive growth environment management systems. Driven by Artificial Intelligence, PaiGE's cloud-based solutions are expected to gather plant-centric data from cultivators and consumers in real time in order to optimize growth and user experience.

*Energy Services Lease Agreement*

On May 2, 2019, the Corporation signed an Energy Services Lease Agreement (“Agreement”) with MDE for the construction of a 8,000 square feet building to house an algae production facility at the MDE site. The Corporation must provide evidence, satisfactory to MDE, of Pond’s ability to finance the construction and completion of the project as condition precedent before the Agreement can take effect.

*Crystal Wealth Loan Extension*

On May 14, 2019, the Corporation signed an amendment to its $3,500 loan agreement with the court-appointed receiver and manager of Crystal Wealth Management System Ltd. (the "**Receiver**"). A general summary of the key amendments are as follows:

- The maturity date for the loan has been extended from June 30, 2019 to June 30, 2021;
- A principal repayment of at least $600 is to be made on or before June 30, 2019;
- An Early Redemption Incentive of a $500 reduction on all outstanding principal and interest provided the loan is repaid in full by December 31, 2019; and
- No change to the existing interest terms.

In addition, Pond will make further principal repayments to the Receiver amounting to 20% of any financings and proceeds from the sale of its Pembina oil and gas property which in total exceed $2,500. If the aggregate of the proceeds of any financing transactions and the sale of the Pembina asset are equal to or exceed $10,000, Pond will be required to repay the indebtedness in full including all principal, interest and other fees which may be outstanding at the time. If the total of such proceeds equal or exceed $10,000 before December 31 2019, then the Early Redemption Incentive will apply to the loan repayment.

**Risk Factors**

Many factors could cause the Corporation's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail in the joint management information circular of the Corporation and Pond in respect of the Transaction filed with securities regulators and available under the Corporation's profile on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

1. The Corporation has yet to generate significant revenues from the licensing of its technology or sale of microalgal biomass products. Investments in research and development in the field of microalgal biomass production are necessary to develop the technology required to generate future revenues. While the Corporation is confident in its technology, it cannot know with complete certainty if or when any of its technologies will be commercialized;

2. The Corporation has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;

3. There can be no assurance that the Corporation will be able to establish additional collaboration agreements on favourable terms, if at all, or that current or future collaborative arrangements will be successful;

4. The production of algae involves complex aquaculture systems with inherent risks including disease and contamination, and should the algae growth system fail to grow algae, or should the algae fail to consume the greenhouse gas introduced to the system, then the abatement will fail. While the Corporation has taken what it believes to be reasonable steps to mitigate risks associated with its processes, certain factors may arise beyond the Corporation's control, therefore, the Corporation cannot, and does not attempt to, provide any form of assurance with regard to its systems, processes, or cost-effectiveness;

5. The Corporation will be highly dependent upon consumer perception of the safety and quality of

its greenhouse gas abatement technology and algae products and the ingredients they contain, as well as that of similar systems and products developed and distributed by other companies;

6. The Corporation may fail to manage growth effectively;

7. Much of the Corporation's strategy is based on the belief that the application of its proprietary photobioreactors and control systems to use carbon dioxide in the production of bio-products for the markets it is addressing may result in the creation of commercially viable products or technical applications; however, there can be no assurance that such beliefs will prove to be correct or that there will be market acceptance of technology developed by the Corporation;

8. The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control;

9. The Corporation's operations will depend on continuous improvements in technology to meet customer demands in respect of performance and cost, and to explore additional business opportunities;

10. Commercial success will depend in part on obtaining and maintaining patent, confidential know-how/trade secret and trade-mark protection of the Corporation's technologies in Canada, the United States and other jurisdictions, as well as successfully enforcing this intellectual property and defending this intellectual property against third-party challenges;

11. The Corporation may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;

12. The Corporation may not be able to develop sufficient manufacturing capacity to meet demand in an economical manner or at all;

13. There is potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation;

14. The Corporation may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;

15. The Corporation could fail to integrate subsidiaries and other interests into the business of the Corporation;

16. The Corporation's production costs will be dependent on the costs of the energy sources used to run its production facilities. These costs are subject to fluctuations and variations in different locations where the Corporation may operate, and it may not be able to predict or control these costs;

17. The activities of the Corporation are subject to regulation by governmental authorities;

18. The Corporation's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety;

19. The Corporation cannot be certain that it will be able to secure additional government grants or

subsidies. Any existing grants or new grants that the Corporation may obtain may be terminated, modified or recovered by the granting governmental body under certain conditions;

20. The Corporation's ability to recruit and retain management, skilled labour and suppliers is crucial to the Corporation's success;

21. The Corporation has a limited operating history;

22. Completed acquisitions, strategic transactions, or investments could fail to increase shareholder value;

23. Certain of the directors and officers of the Corporation are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other companies;

24. There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Corporation;

25. In the event that the Corporation issues convertible debt or equity securities to raise additional funds, its existing shareholders may experience dilution, and the new convertible debt or equity securities may have advantageous rights, preferences and privileges when compared to those of the Corporation's existing shareholders;

26. A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Corporation that could otherwise be beneficial to the Corporation's shareholders;

27. The Corporation does not anticipate paying any dividends on the common shares in the foreseeable future;

28. Oil and natural gas operations involve many risks that, even with a combination of experience, knowledge and careful evaluation, the Corporation may not be able to overcome;

29. Provincial programs related to the oil and natural gas industry may change in a manner that adversely impacts shareholders. The Corporation currently operates in Alberta and future amendments to royalty programs could result in a reduction of cash flows; and

30. The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect to the Corporation or its working interests. Such legislation may be changed to impose higher standards and potentially more costly obligations on the Corporation. Furthermore, management believes that the federal and Alberta governments appear to favour new programs for environmental laws and regulations, particularly in relation to the reduction of emissions, and there is no assurance that any such programs, laws or regulations, if proposed an enacted, will not contain emission reduction targets which the Corporation cannot meet.

**Critical Accounting Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are, and will continue to be, evaluated on an ongoing basis. However, actual results could differ significantly from these estimates.

Management believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the Corporation's financial statements. It is believed that there have been no significant changes in the critical accounting estimates for the periods presented in the financial statements:

*Foreign Currency Translation*

The consolidated financial statements are presented in Canadian dollars. Pond Naturals distribution business transact in US dollars which are translated to Canadian dollars using average foreign exchange rates during the quarter and quarter end rates for ending balances.

*Asset impairment*
Assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated. Numerous factors can be used to trigger an impairment review and significant estimates and assumptions could be used to determine if impairment exists. These could include estimates of future cash flows, interest and discount rates, etc.

*Research & Development tax credits*
The Corporation is entitled to government assistance in the form of research tax credit and grants. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Corporation has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Management monitors whether the recognition requirements for research and development tax credits receivable continue to be met. The Corporation has made estimates of the recoverable amounts but research and development tax credits must be examined and approved by the tax authorities and the amount allowed may be different from the amount recorded.

*Pembina*

The Corporation's financial and operating results incorporate estimates relating to the Pembina oil and natural gas property including:

- Estimated revenues, royalties, operating expenses on production;
- Estimated depletion, depreciation and amortization expenses that are based on estimates of oil and gas proved and probable reserves that the Corporation expects to recover in the future;
- Estimated value of decommissioning liabilities that are dependent on estimates of future costs and timing of expenditures;
- Estimated future recoverable value of development and production assets within property, plant and equipment ("PP&E") and exploration and evaluation assets;
- Estimated deferred income tax assets and liabilities based on current tax interpretations, regulations and legislation that is subject to change;

- Estimated loss probable based on judgement and interpretation of laws and regulations.

The recoverable amounts of PP&E asset by area have been determined as the greater of the asset by area's value-in-use and fair value less costs to sell. These calculations require the use of estimates and assumptions and are subject to changes as new information becomes available including information on future commodity prices, expected production volumes, quantity of reserves and discount rates, as well as, future development and operating costs. Changes in the following assumptions used in determining the recoverable amount could affect the carrying value of the related asset.

- Reserves: Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

- Oil and natural gas prices: Forward price estimates of the oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

- Discount rate: The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

**Non-IFRS Measures**

The Management's Discussion and Analysis includes references to and uses measures and terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These measures and terms include working capital and gross margin. These non-IFRS measures may not be comparable to similar measures presented by other companies.

**Non-GAAP Measures – Oil and Gas Industry**

This MD&A contains terms commonly used in the oil and gas industry, such as operating netbacks ("**netbacks**"). These terms are not defined by the financial measures used by the Corporation to prepare its financial statements and are referred to herein as "**non-GAAP measures**". These non-GAAP measures should not be considered an alternative to, or more meaningful than, other measures of financial performance calculated in accordance with GAAP. Management believes that in addition to net earnings/ (loss), netbacks is a useful financial measurement which assists in demonstrating the Corporation's ability to make interest payments, fund capital expenditures necessary for future growth or repay debt. The non-GAAP measures presented may not be comparable to that reported by other companies.

**Netback**

The Corporation uses netback as a key performance indicator. Netback does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Netback is calculated by deducting royalties and operating expenses from petroleum and natural gas revenues.

## BOE Conversion

In this document, certain natural gas volumes have been converted to barrels of oil equivalent ("**boe**") on the basis of one barrel ("**bbl**") to six thousand cubic feet ("**mcf**"), unless otherwise stated. A conversion ratio of one bbl to six mcf is based on an energy equivalent conversion applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

## Changes in Accounting Policies

The following revised standards are effective for annual periods beginning on January 1, 2019, and their adoption did not have an impact on these financial statements, but may affect the accounting for future transactions or arrangements:

*Leases ("IFRS 16")*

Effective January 1, 2019, the Corporation adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. IFRS 16 supersedes previous accounting standards for leases, including IAS 17, Leases and IFRIC 4 – Determining whether an arrangement contains a lease. As a result of adopting IFRS 16, the Corporation has recognized an increase to both assets and liabilities on the Consolidated Balance Sheet, as well as a decrease in rent expense, with a corresponding increase in amortization (due to depreciation of the right-of-use assets) and increase in finance costs (due to accretion of the lease liability).

The Corporation's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

*Impact of Adoption of IFRS 16*

On January 1, 2019, and during 2018 the Corporation had no leases with a term in excess of 12 months and accordingly the information presented in 2018 has not been restated. On January 30, 2019 the Corporation acquired Regenurex Health Corporation which had entered into a three year lease starting in February 1, 2019. The Corporation has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $122 were recorded as of February 1, 2019, as part of the purchase price allocation with no net impact on deficit. When measuring lease liabilities, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 12%.

*IFRIC 23 Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the "Interpretation"). The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Early application is permitted. The interpretation clarifies the accounting for income tax treatments (current and deferred tax) that have yet to be accepted by tax authorities. The Corporation adopted the Interpretation in its financial statements effective January 1, 2019. Adoption of the Interpretation did not have a material impact on the financial statements.

**Financial Instruments and Other Instruments**

As at March 31, 2019 the Corporation had loans outstanding totaling $4,099.

*Crystal Wealth Loan*

On February 19, 2016, Pond entered into a secured loan agreement with CW with a maximum credit amounting to $4,500. The loan bears interest at the rate of 12% per annum, has no regularly scheduled repayment terms with a maturity date of June 30, 2019. The loan is secured by a general security agreement with a first charge on Pond Technologies Inc. assets and a specific assignment of rights in all patents during the year.

On August 11, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms include a loan maturity extension to June 30, 2019, reduction of quarterly interest payable to 8%, deferral of quarterly interest payable of 4%, a ("**First Interest Payment**") due of $581 payable on November 30, 2017 and a principal repayment of $1,000 on December 31, 2017. The amendment also requires Pond to make principal loan repayments if it raises in excess of $10,000 in financing during the term of the loan. In that event, the amount of the principal loan repayment will be 20% of the proceeds in excess of $10,000.

On November 16, 2017, Pond signed an amendment to its loan agreement with CW. The amended terms include an extension of the repayment to the First Interest Payment to December 21, 2017 and an extension fee of $10.

On December 19, 2017, Pond signed a second amendment to its loan agreement with CW. The amended terms include an extension of the principal repayment of $1,000 and the First Interest Payment to January 31, 2018 and an extension fee of $10 payable in cash upon the execution of the loan amendment.

On December 29, 2017, Pond made an early payment of the First Interest Payment of $581 and the second interest payment of $30.

On January 30, 2018 Pond paid $1,000 to CW to reduce the principal loan balance from $4,500 to $3,500. See Subsequent Events section above for details re the May 14th 2019 amendment which amongst other things extends the maturity of the loan to June 30, 2021 conditional upon a minimal $600 principal repayment by June 30, 2019.

*FedDev*

Pursuant to the Federal Development Agency Agreement, Pond has received repayable loans from FedDev at a monthly rate of 33.33% of eligible costs as defined in the Federal Development Agency Agreement, subject to achievement of certain milestones. Under the terms of the loan agreement, the loan bears no interest and is repayable in 60 equal monthly installments with a loan balance of $324 as at March 31, 2019.

The FedDev loan was fair valued at inception and interest accretion for the imputed interest rate as a finance expense each year. On January 1, 2019 the monthly installments were $16.5 and will continue at this monthly amount until the loan is fully repaid in December 2020.

During the three months ended March 31, 2019 the fair value adjustment recognized in the Statement of Loss and Comprehensive Loss was $4 (2018: $23).

*Regenurex Loans*

As a result of the Regenurex business combination on January 30, 2019 the Corporation assumed $531 in loans. During the three months ended March 31, 2019 the Corporation made repayments of $256. The remaining loans have repayment due dates before December 31, 2019.

## Outstanding Share Data

As at March 31, 2019 and the date of the MD&A, the Corporation has 19,932,965 Shares outstanding. In addition, Regenurex shareholders will receive up to 6,250,000 of the Corporation's shares in exchange for their currently held Regenurex preference shares, by August 1, 2022. The Corporation has 1,622,500 stock options all of which are exercisable at $2.00 per share. The warrants and Agent Warrants issued in the Corporation's non-brokered private placements and brokered private placements are presented as equity on the statement of financial position. As at March 31, 2019, 4,689,279 warrants and 327,275 Agent Warrants were outstanding (2018 – 5,079,213 and 356,681), with an average exercise price of $2.50 and $3.00 respectively, and an average estimated life of 1.8 years.

As at March 31, 2019 there were 198,842 deferred share units outstanding.

## Forward Looking Information

Certain statements in this MD&A that are not current or historical factual information may constitute "forward-looking" statements within the meaning of applicable securities laws, regarding, among other things, the beliefs, plans, objectives, strategies, estimates, intentions or expectations of the Corporation, including as they relate to its financial results and the ability to execute on its investing and business strategies. Inherent in these forward-looking statements are known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements can often be identified by the use of words such as "may", "will", "expect", "believe", "plan", "intend", "anticipate", "estimate" and other similar terminology. These statements reflect current expectations regarding future events and performance and speak only as of the date of this MD&A.

Similarly, statements contained in, but not limited to, the sections titled "Commercialization Goals", Commercialization Highlights", "Commercialization – Targets, Assumptions and Risk Factors", "Overview of the Corporation's Business", "Liquidity and Capital Resources", "Commitments and Contingencies", "Project Development" and "Off-Balance Sheet Arrangements" of this MD&A, including those with respect to the implementation of the Corporation's business strategy, the development of the nutraceutical algae production, the development of the pollution abatement business and expectations concerning the Corporation's financial condition, results of operations, business, assets, prices, foreign exchange rates, earnings, market conditions, capital expenditures, risks, availability of regulatory approvals, corporate objectives and plans or goals, are or may be forward-looking statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this MD&A are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements.

Investors and others should carefully consider risk factors including, without limitation, those set out under the heading "Risk Factors", and not place undue reliance on forward-looking statements. The Corporation anticipates that subsequent events and circumstances may cause the Corporation's views to change. Forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise any forward-looking statements to reflect new events or circumstances, except as required by law.

## Additional Information

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