newtopia

Management's Discussion and Analysis

For the Year Ended December 31, 2019

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 year ended December 31, 2019. This MD&A is dated June 12, 2020 and should be read in conjunction with the annual audited financial statements and related notes for the year ended December 31, 2019 ("**Annual Financial 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 U.S., general economic conditions that we operate in and the ability to raise financing to fund capital expenditures and operations (see "*Risks and Uncertainties*" for further information). 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 at 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 OBCA. 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 offers a proprietary virtual habit change platform that leverages precision health tools including, genetic testing and behavioural evaluations, to develop and implement personalized programs combining the best of human with the best of digital interaction to keep those at-risk for developing chronic disease from becoming 'chronic'. The Company partners with insurers and employers (primarily in the U.S.) 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) and cholesterol, 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 solution instead targets the approximately 50% 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 U.S. by delivering clinical and cost savings outcomes proven to grow and improve over time.

The Company's personalized habit change platform focuses on metabolic risk reduction rather than disease management or aesthetic weight loss. We believe it is time to get ahead of the increasing prevalence of chronic disease and focus on sustainable prevention rather than 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 mobile 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 several out of range metabolic 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 will meet virtually leveraging a combination of online video, text messaging, email or telephone.

Participants are also provided tools for success in his, her or their personal program. These tools 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, increase accountability and engagement between coaching sessions.

Newtopia is a pioneer in leveraging genetic testing primarily for 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 weight and lifestyle and to personalize lifestyle recommendations by gaining a deeper understanding of how genes impact an individual's ability to lose weight and reduce risk. The genetic test is designed specifically to look for genetic characteristics related to weight and lifestyle management. The Company identifies which weight-related characteristics are present in a participant's genes so that Inspirators can help participants understand whether they have inherited genetic factors that may have an impact on weight and lifestyle which can have a meaningful psychological impact related to blame and confidence building. The Company can also provide 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. These genetically driven recommendations are then incorporated into the participant's personalized lifestyle plan to further refine and personalize each participant program.

Presentation of financial information

Unless otherwise specified herein, financial results, including historical comparatives, contained in this MD&A are based on Newtopia's 2019 Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**"). Unless otherwise specified, amounts are in Canadian dollars and percentage changes are calculated using whole numbers.

Corporate Update

The Company's revenue during the three months and year ended December 31, 2019 increased by 159% and 99% over the same periods of the previous year, respectively. The increase is attributable to the growth in the Company's customer base and in the participant enrolment among its existing customers.

Net loss and comprehensive losses during the three months and year ended December 31, 2019 increased by 50% and 59% over the same period of the previous year, respectively. The increase in losses are due mainly to the significant stock-based compensation expense recognized during Q4-2019.

On May 3, 2019 and July 26, 2019, the Company closed the first and second tranches of an offering of Special Warrants. The Company raised aggregate gross proceeds of $8,516,816 ($7,016,922 net of closing costs) on the issuance of 12,166,879 Special Warrants. Each Special Warrant will be deemed to be exercised in to one common share (a "**Common Share**") and one half (½) of one common share purchase warrant at $1 per Common Share on the date that is two business days following the earlier of: (i) that date which is 12 months following the date of the first closing, and (ii) the later of: (A) the date on which the Company obtains a receipt for a Final Prospectus; and (B) the date the Common Shares are conditionally approved for listing on the TSX Venture Exchange. On December 31, 2019, the lender of the Company's Secured Debentures agreed to settle the remaining principal balance, accrued interest and outstanding retirement fee for a total subscription of $1,579,160 in 2,255,943 Special Warrants. The total number of Special Warrants outstanding at December 31, 2019 was 14,422,822. See "*Financing*".

On March 30, 2020, the Company received a receipt from the OSC for its filing of a final non-offering long form prospectus qualifying the distribution of 14,422,822 Common Shares and 7,211,411 Warrants issuable upon the deemed exercise of 14,422,822 Special Warrants. On May 4, 2020, the Company commenced trading on the TSX Venture Exchange under the symbol "NEWU".

Upon the successful listing of the Company, i) the Special Warrants were automatically converted to 14,422,822 Common Shares and 7,211,411 Common Share purchase warrants; ii) the $3,850,000 Convertible Debentures and accrued interest to March 30, 2020 of $376,269 were automatically converted to 8,625,037 Common Shares and 1,814,993 Common Share purchase warrants; and iii) 51,259,973 Class A preferred shares were converted to Common Shares on a one for one basis.

COVID-19 Update

The Company faces various risks from the recent global outbreak of the coronavirus disease ("**COVID-19**"), declared a pandemic by the World Health Organization on March 12, 2020. 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. There is a possibility of a global recession despite the fiscal and monetary measures being taken. Although the impact of the pandemic cannot be predicted, the outbreak could have a material adverse effect on the Company's financial position, results of operations and/or cash flows. With concerns over spreading of the virus, the Company has implemented several protective measures, including work-from-home arrangements for its staff, cancellation of conferences and limits on non-essential travel. The Company is working closely with all its stakeholders, including its customers, suppliers and employees, to address the impact of the continuous spread of the virus and to ensure all possible actions are taken to mitigate any adverse consequences. See *"Risks and Uncertainties"*.

Selected Financial Information

	Three Months Ended December 31,			
	2019	2018	Change	
	$	$	$	%
Revenue	1,537,685	592,678	945,007	159%
Cost of sales	1,389,509	478,350	911,159	190%
Gross margin	148,176	114,328	33,848	30%
Gross profit %	10%	19%	(9%)	(47%)
Operating expenses	4,152,205	2,136,585	2,015,620	94%
Operating loss	(4,004,029)	(2,022,257)	(1,981,772)	98%
Other expenses	75,243	688,815	(613,572)	(89%)
Net loss and comprehensive loss	(4,079,272)	(2,711,072)	(1,368,200)	50%
Basic and diluted loss per share	(0.26)	(0.17)	(0.09)	53%

	Years Ended December 31,			
	2019	2018	Change	
	$	$	$	%
Revenue	6,109,282	3,073,901	3,035,381	99%
Cost of sales	4,138,939	2,174,926	1,964,013	90%
Gross margin	1,970,343	898,975	1,071,368	119%
Gross profit %	32%	29%	3%	10%
Operating expenses	9,463,712	6,318,055	3,145,657	50%
Operating loss	(7,493,369)	(5,419,080)	(2,074,289)	38%
Other expenses	2,647,221	969,757	1,677,464	173%
Net loss and comprehensive loss	(10,140,590)	(6,388,837)	(3,751,753)	59%
Basic and diluted loss per share	(0.65)	(0.41)	(0.24)	59%

	As at December 31,			
	2019	2018	Change	
	$	$	$	%
Total assets	5,627,172	3,682,276	1,944,896	53%
Total liabilities	16,839,655	16,125,031	714,624	4%
Equity	(11,212,483)	(12,442,755)	1,230,272	(10%)
Total liabilities and equity	5,627,172	3,682,276	1,943,896	53%

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 should average participant weight-loss not meet a targeted range.

Revenue for the three months and year ended December 31, 2019 increased by 159% and 99% from the same periods in the previous year, respectively. The increases were driven by new participant starts stemming from two additional indirect customer launches in 2019 and the phased roll out by the customers launched in 2018. Revenue during the three months ended December 31, 2019 included an upsurge of Welcome Kit sales in December 2019 from a new incentivized program offered by a customer to a segment of its employees.

Gross Profit

Gross profit comprises of revenue less direct expenses, which consists of the cost of Welcome Kits sold to new participants and the labour costs associated with the coaching team.

Gross profit for the three months ended December 31, 2019 declined by 47% over the same period in the previous year primarily as a result of the strong Welcome Kit sales during the quarter from the new participants enrolling in the customer incentivized program. The profit margins on the Welcome Kits are lower than the margins earned on monthly engagement fees and successful outcome fees.

Gross profit for the year ended December 31, 2019 was 32% as compared to 29% in the prior year. The growth in revenue has enabled the Company to attain more favourable volume prices for its Welcome Kit components. The increased number of participants has led to improved utilization rates of the coaching team and enhanced margin returns on the Company's labour costs

Operating Expenses

The table below sets forth the details of operating expenses for the three month periods ended December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018:

	Three Months Ended December 31,			
	2019	**2018**	**Change**	
	$	**$**	**$**	**%**
Technology and development	826,615	624,688	201,927	32%
Selling and marketing	514,061	409,892	104,169	25%
Administrative	1,351,323	840,026	511,297	61%
Stock-based compensation	1,460,206	261,979	1,198,227	457%
	4,152,205	2,136,585	2,015,620	94%

	Years Ended December 31,			
	2019	**2018**	**Change**	
	$	**$**	**$**	**%**
Technology and development	2,512,631	2,196,506	316,125	14%
Selling and marketing	1,709,794	1,357,210	352,584	26%
Administrative	3,216,507	2,515,417	701,090	28%
Stock-based compensation	2,024,780	248,922	1,775,858	713%
	9,463,712	6,318,055	3,145,665	50%

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

Technology and development expenditures during the three months and year ended December 31, 2019 increased by 32% and 14% over the same periods in the prior year, respectively. The Company has invested resources in developing the Company's customer relationship (CRM) platform and digital engagement tools with spending increases in CRM license fees and compensation costs for new developers and digital reporting analysts.

Selling and marketing expenses during the three months and year ended December 31, 2019 increased by 25% and 26% over the same periods in the prior year, respectively. The increases are due to added headcount in the marketing team and on expenditures for promotional materials. In 2019, the Company also bolstered its internal selling and marketing efforts towards re-engaging participants and enhancing participant experience.

General and administrative expenses during the three months and year ended December 31, 2019 increased by 61% and 28% over the same periods of the previous year, respectively. The increase during the fourth quarter of 2019 was primarily due to higher executive bonuses recognized in the quarter. Additional legal and listing fees incurred as the Company pursued its initial IPO and increased cost of occupancy and staff events contributed to the increase in expenditures during the year ended December 31, 2019.

Stock-based compensation expense during the three months ended December 31, 2019 increased by 457% compared to the stock-based compensation expense during the three months ended December 31, 2018. The increase is attributed to modifications of previous stock option grants provided by the Company during the three months ended December 31, 2019. Stock-based compensation expense for the year ended December 31, 2019 was higher by 713% over the expense in the same period of the prior year due to the stock option modifications during the fourth quarter of 2019 referred to above and to the expense recoveries from executive resignations recognized during the three months ended December 31, 2018.

Other Expenses

The table below sets forth the details of other expenses for the three months and years ended December 31, 2019 and 2018:

	Three Months Ended December 31,			
	2019	**2018**	**Change**	
	$	**$**	**$**	**%**
Depreciation of property and equipment	19,041	11,606	7,435	64%
Depreciation of right-of-use assets	46,190	46,191	(1)	(0%)
Interest and accretion expense	477,504	544,573	(67,069)	(12%)
Interest on lease obligations	38,775	40,143	(1,368)	(3%)
Finance charges	6,724	212,623	(205,899)	(97%)
Foreign exchange	42,602	(26,750)	69,352	(259%)
Change in value of convertible debentures derivative liabilities	(140,178)	(39,751)	(100,427)	253%
Gain on extinguishment of convertible debentures	(408,778)	-	(408,778)	
Change in derivative liability	(6,637)	(99,820)	93,183	(93%)
	75,243	688,815	(613,572)	(89%)

	Years Ended December 31,			
	2019	**2018**	**Change**	
	$	**$**	**$**	**%**
Depreciation of property and equipment	56,437	46,166	10,271	22%
Depreciation of right-of-use assets	184,766	184,766	-	0%
Interest and accretion expense	2,640,030	633,111	2,006,919	317%
Interest on lease obligations	158,642	160,251	(1,609)	(1%)
Finance charges	6,724	212,623	(205,899)	(97%)
Foreign exchange	42,244	(29,987)	72,231	(241%)
Change in value of convertible debentures derivative liabilities	(54,081)	(39,751)	(14,330)	36%

	Years Ended December 31,			
	2019	2018	Change	
	$	$	$	%
Gain on extinguishment of convertible debentures	(408,778)	-	(408,778)	
Change in value of derivative liability	21,237	(197,422)	218,659	(111%)
	2,647,221	969,757	1,677,464	173%

Depreciation property and equipment during the three months and year ended December 31, 2019 rose by 64% and 22% over the same periods of the previous year as a result of the greater investment in capital asset purchases made during fiscal 2019.

Interest and accretion expense are related to the amortization of the debt portion of the convertible debenture units issued in November 2018 (See "*Financing*"). In October 2019, the convertible debt holders consented to an extension of the maturity date from November 2019 to March 30, 2020 and as a result of that extension, the convertible debenture was extinguished at its amortized cost and recognized at its fair value. The decrease in the value of the debenture units of $408,778 was recognized as a gain on extinguishment of the convertible debentures.

Finance charges recognized during the three months and year ended December 31, 2018 relate to the finance costs incurred on the issuance of the Convertible Debt Units in November 2018 that are allocated to the debt portion and expensed. Finance charges during the year ended December 31, 2019 relate to immaterial interest charges.

The Company derives 100% of its revenue in U.S. currency and the weaker U.S. dollar relative to the Canadian dollar in 2019 as compared to 2018 contributed to the foreign exchange loss recognized on the Company's U.S. dollar monetary assets and liabilities during the three months and year ended December 31, 2019.

The convertible debentures derivative liabilities relate to the conversion feature and Unit Warrants of the Convertible Debenture Units issued on November 6, 2018.

The gains from the decrease in the derivative liability on warrants during the three months and year ended December 31, 2018 reflected the expiration of 5,050,505 Series A3 warrants in August 2018. The expenses recognized from the increase in the derivative liability during the three months and year ended December 31, 2019 reflect the increase in the volatility of the Company's shares.

Total Assets

Total assets increased by 53% as at December 31, 2019 from total assets as at December 31, 2018 largely due to higher cash, accounts receivable and inventory. The accounts receivable balance was significantly higher due to the strong Welcome Kits sales in late December 2019. Welcome Kit inventory was stocked up at December 31, 2019 as the Company anticipated significant enrolment numbers continuing into the first quarter of 2020.

Total Liabilities

The Company's total liabilities as at December 31, 2019 increased by 4% from total liabilities as at December 31, 2018. Accounts payables and accrued liabilities at December 31, 2019 were higher due to the inventory build-up of Welcome Kit components and to the unpaid executive bonuses at year-end. The convertible debentures and convertible debenture derivative liabilities were also higher at December 31, 2019 as their discounted values are being accreted toward their principal and accrued interest values. As mentioned above, the convertible debentures were revalued in October 2019 with the extension of the maturity date.

The Company's remaining principal and interest owing on the Secured Debentures were settled in 2019 through the issuance of Special Warrants to the lenders. See *"Financing"*.

Summary of Quarterly Results

The table below sets forth selected financial data for the most recent eight quarters ended December 31, 2019:

(In thousands, except loss per share)

Quarter-ended	Revenue (Unaudited)	Net Loss (Unaudited)	Loss per Share (Unaudited)
	$	$	$
December 31, 2019	1,538	(4,079)	(0.26)
September 30, 2019	1,202	(2,320)	(0.15)
June 30, 2019	1,609	(1,723)	(0.11)
March 31, 2019	1,761	(2,018)	(0.13)
December 31, 2018	593	(2,711)	(0.17)
September 30, 2018	704	(1,337)	(0.09)
June 30, 2018	885	(1,272)	(0.08)
March 31, 2018	892	(1,069)	(0.07)

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. Subscription revenues are subject to seasonality with greater participant engagement at the start of the calendar year.

Liquidity and capital resources

The table below sets forth the cash flows for the three months and years ended December 31, 2019 and 2018:

	Three Months Ended December 31,			
	2019	2018	Change	
	$	$	$	%
Cash generated by (used in)				
Operating activities	(1,993,425)	(1,968,919)	(24,506)	1%
Investing activities	(73,233)	(20,112)	(53,121)	264%
Financing activities	(226,172)	3,081,938	(3,308,110)	(107%)
Increase (decrease) in cash	(2,292,830)	1,092,907	(3,385,737)	(310%)

	Twelve Months Ended December 31,			
	2019	2018	Change	
	$	$	$	%
Cash generated by (used in)				
Operating activities	(5,531,644)	(5,352,139)	(179,505)	3%
Investing activities	(163,389)	(42,346)	(121,043)	286%
Financing activities	6,652,816	5,378,918	1,273,898	24%
Increase (decrease) in cash	957,783	(15,567)	973,350	(6253%)

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 (see "*Risks and Uncertainties*"). 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 three months and years ended December 31, 2019 and 2018 are consistent despite lower operating losses during the three months and year ended December 31, 2019. The Company incurred greater outflows in 2019 on non-cash working capital items from increases in trade and other receivables, inventory and prepaid expenses.

Cash used in investing activities relate primarily to purchases of IT and office equipment. Capital additions during the three months and year ended December 31, 2019 were greater than the additions during the same periods in the previous year, reflecting the Company's overall growth in operations and staff count.

The cash inflow from financing activities during the year ended December 31, 2018 was derived from net proceeds raised from the issuance of secured debentures in the first three quarters of 2018 and from the issuance of convertible debenture units in the final quarter of 2018. During the year ended December 31, 2019, the Company raised financing with the closing of the first and second tranches of an offering of special warrants (see "*Financing*").

Financing

During the year ended December 31, 2018, the Company issued a series of 13% secured debentures (the **"Debentures**") for an aggregate amount of $2,600,000, to be drawn in tranches as determined between the Company and the lender. The Debentures are repayable at the earlier of (a) six months from the date of the debenture, and (b) the 10th business day following the closing of any subsequent equity offerings, debt financing, sale, merger or liquidity event involving the Company (the "**Repayment Date**"). On the Repayment Date, the lender is entitled to a debt retirement fee of 3% of the repaid advances and one Common Share in the capital of the Company for each $1 advanced, to a maximum issuance of 2,000,000 Common Shares (the "**Bonus Shares**"). On February 20, 2020, the lender of the Debentures received 2,000,000 warrants of the Company (the "**Bonus Warrants**") in lieu of the 2,000,000 Bonus Shares. The Bonus Warrants are governed by the terms and conditions of warrant certificates dated February 20, 2020. The Bonus Warrants are exercisable into Common Shares at an exercise price of $0.0001 per Common Share until 5:00 p.m. (Toronto time) on February 20, 2025, provided that the holder, together with its affiliates, are prohibited from exercising Bonus Warrants into Common Shares, if, as a result of such conversion, the holder, together with its affiliates, would own more than 9.99% of the total number of Common Shares issued and outstanding immediately after giving effect to the exercise. The Debentures are secured by a General Security Agreement on the assets of the Company.

On November 6, 2018, the Company closed a private placement offering (the "**Debenture Unit Offering**") of 4,000 7% unsecured convertible debenture units (the "**Debenture Units**") at a price of $1,000 per unit for aggregate gross proceeds of $4,000,000 pursuant to the terms of an agency agreement dated November 6, 2018 between the Company and Bloom Burton Securities Inc. (the "**Debenture Unit Agency Agreement**"). Each Debenture Unit consists of one $1,000 principal amount of subordinated unsecured convertible debentures (the "**Convertible Debentures**") and such number of warrants (the "**Unit Warrants**") equal to 33% of the principal amount divided by the Unit Warrant exercise price (the "**Unit Warrant Exercise Price**"). Each Unit Warrant entitles the holder to purchase one Common Share at the Unit Warrant Exercise Price, subject to adjustment, until 4:00 p.m. (Toronto time) on November 6, 2021. The Unit Warrant Exercise Price shall be determined upon a Liquidity Event (as defined below) involving the Company as the prevailing market price of one Common Share as evidenced by the deemed value per share established in such Liquidity Event. "**Liquidity Event**" shall mean: (i) the listing of the Common Shares on a recognized exchange, (ii) the sale for cash proceeds of all its outstanding shares, (iii) the sale for cash proceeds of all, or substantially all, of the assets of the Company, (iv) the amalgamation or any other corporate transaction involving the Company with or into another entity (provided that the other entity is not an affiliate of the Company) pursuant to which the common shares of the resulting issuer from such transaction are listed on a recognized exchange. Unless converted prior to November 6, 2019 or such date is extended**,** Convertible Debentures, including the unpaid principal, together with any then unpaid and accrued interest and a fee equal to 3% of the principal amount, will mature and be repaid on November 6, 2019. The conversion price (the "**Conversion Price**"), subject to adjustment in certain circumstances, shall be set upon a Liquidity Event at 70% of the fair market value of one Common Share (the "**Fair Market Value**"). The Fair Market Value shall be determined upon a Liquidity Event involving the Company as the prevailing market price of one Common Share as evidenced by the deemed value per share established in such Liquidity Event. Upon the occurrence of a Liquidity Event prior to November 6, 2019, all issued and outstanding Convertible Debentures including interest shall automatically be converted into fully paid Common Shares at the Conversion Price. Unless otherwise extended, the Unit Warrants shall immediately expire on November 6, 2019 if a Liquidity Event has not occurred prior to such date. In October 2019, holders of $3,850,000 of the $4,000,000 Convertible Debenture Units consented to the extension of the maturity dates of their Convertible Debenture Units from November 6, 2019 to March 31, 2020. On November 6, 2019, the Company repaid the $150,000 Convertible Debentures maturing on November 6, 2019 plus total interest and repayment fee of $15,000. In October 2019, the Company extended the date upon which the Unit Warrants shall immediately expire if a Liquidity Event has not occurred from November 6, 2019 to March 31, 2020. In November 2019, the Company extended the expiration date for certain Unit Warrant holders to purchase common shares from November 6, 2021 to May 6, 2022.

In consideration for the services of the agents in connection with the Debenture Unit Offering, the Company paid a cash commission of $234,000 equal to 6% of the gross proceeds from the Debenture Unit Offering and issued such number of compensation options (the "**Compensation Options**") equal to 6% of the gross proceeds raised from the Debenture Unit Offering divided by the Fair Market Value. Each Compensation Option entitles the agent to purchase one Common Share at the Fair Market Value for a period of 36 months following a Liquidity Event or until November 6, 2019 if a Liquidity Event has not occurred prior to such date. In addition to the agent's cash commission, the Company paid legal and other closing costs of $105,769. The Company's net proceeds from the Debenture Unit Offering after deducting total issuance costs of $339,769 was $3,660,231. In October 2019, the Company extended the date upon which the Compensation Warrants immediately expire if a Liquidity Event has not occurred from November 6, 2019 to March 31, 2020.

Upon the closing of the Debenture Unit Offering, the Company used $731,508 of the proceeds from the Debenture Unit Offering to repay $700,000 of the Debentures' outstanding principal balance, related interest of $10,508 and retirement fee of $21,000.

In April 2019, the holders of the Company's preferred shareholdings consented to convert the outstanding Class A Preferred Shares to Common Shares on a one for one basis.

Pursuant to an Agency Agreement (the "**Agency Agreement**") dated May 3, 2019, the Company agreed to create, offer, issue and sell up to 14,285,715 Special Warrants at a price of $0.70 per Special Warrant, for gross proceeds of up to $10,000,000.50. The Agents agreed to find purchasers of the Special Warrants on a commercially reasonable "best efforts" private placement basis.

Each Special Warrant is voluntarily exercisable, for no additional consideration, into one Unit, subject to adjustment described below. Each Unit consists of one Qualifying Share and one half (½) of one Qualifying Warrant. Each whole Qualifying Warrant entitles the holder to purchase one Warrant Share at $1.00 per share, subject to adjustment as detailed below, until 5:00 p.m. (Toronto time) on May 3, 2022.

All unexercised Special Warrants will be deemed to be exercised on the date that is two business days following the earlier of: (i) that date which is 12 months following the date of the First Closing, and (ii) the later of: (A) the date on which the Company obtains a receipt for a Final Prospectus (as such term is defined in the Agency Agreement); and (B) the date the Common Shares are conditionally approved for listing on the Exchange or, subject to the consent of the Agents, another recognized exchange.

In the event that the Company has not filed the Preliminary Prospectus (as such term is defined in the Agency Agreement) and received a receipt from the principal regulator for such prospectus by that date which is 60 days following the date the Company receives, in the aggregate, $8,000,000 in gross proceeds from the Offering, each unexercised Special Warrant will thereafter entitle the holder thereof to receive upon the exercise or deemed exercise thereof, for no additional consideration, 1.20 Units in lieu of one Unit (the “**Penalty Provision**”). On September 24, 2019, the Company filed a Preliminary Prospectus and thereby did not trigger the Penalty Provision.

In consideration of the services rendered by the Agents in connection with the brokered portion of the Offering, the Company agrees to pay a cash commission of 7% the gross proceeds raised and Special Broker Warrants equal to 7% of the number of Special Warrants sold pursuant to the brokered portion of the Offering. Each Special Broker Warrant is exercisable, for no additional consideration, for one Broker Warrant. Each Broker Warrant will entitle the holder to purchase one Common Share at a price of $0.70 per Common Share at any time, subject to adjustment, until 5:00 p.m. (Toronto time) on May 3, 2022.

On May 3, 2019, the Company closed the first tranche of the Offering, issuing 6,792,944 Special Warrants for gross proceeds of $4,755,061. The Company paid a 7% cash commission to the Agents of $332,854 and incurred $132,790 in issuance costs for net proceeds of $4,289,416. The Company issued 475,506 Special Broker Warrants to the Agents, each exercisable at a price of $0.70 per common share at any time up to May 3, 2022.

On July 26, 2019, the Company closed the second tranche of the Offering for aggregate gross proceeds of $3,761,755, issuing 4,373,221 Special Warrants on a brokered private placement basis and 1,000,714 Special Warrants in a concurrent non-brokered private placement basis for gross proceeds of $3,061,255 and $700,500, respectively. In consideration for their services on the brokered portion of the Offering, the Agents received 293,189 Special Broker Warrants and were entitled to receive a cash commission of $205,233 of which $129,358 was converted by the Agents for 184,793 of Special Warrants. Excluding the Agents’ Commission of $129,358 converted to Special Warrants and after payment of $75,875 in the remaining cash commission to the Agents and other closing costs of $74,427, the Company received net proceeds of $3,482,095. Also included in the gross proceeds of the Offering, the lender of the Debentures agreed to settle $460,000 of the $1,000,000 Debentures issued in March 2018 and all outstanding interest as at July 26, 2019 of $290,000, for a total subscription of $750,000 in 1,071,429 Special Warrants. The lender further agreed to extend the maturity dates of the remaining Debentures of $1,440,000 to March 31, 2020.

The aggregate gross proceeds raised from the first and second tranche of the Offering is $8,516,816. The Company therefore reached $8,000,000 in aggregate gross proceeds on July 26, 2019, the date of the Second Closing, and in filing a preliminary prospectus on September 24, 2019 being within 60 days of the date on which the Company reached $8,000,000 in aggregate gross proceeds pursuant to the Offering did not trigger the Penalty Provision.

On December 31, 2019, the lender of the Debentures agreed to settle the i) remaining $540,000 of the $1,000,000 Debentures issued in March 2018 plus all outstanding interest of $30,810, ii) the $900,000 Debentures issued in June 2018 plus all outstanding interest of $51,350 and iii) the unpaid debt retirement fee of $57,000, for a total subscription of $1,579,160 in 2,255,943 Special Warrants. The Company incurred legal costs of $4,589 in connection with the debt settlement.

The total number of Special Warrants issued and outstanding as at December 31, 2019 was 14,422,822.

On February 20, 2020, the lender of the Debentures received 2,000,000 warrants of the Company (the “**Bonus Warrants**”) in lieu of the 2,000,000 Bonus Shares. The Bonus Warrants are governed by the terms and conditions of warrant certificates dated February 20, 2020. The Bonus Warrants are exercisable into Common Shares at an exercise price of $0.0001 per Common Share until 5:00 p.m. (Toronto time) on February 20, 2025, provided that the holder, together with its affiliates, are prohibited from exercising Bonus Warrants into Common Shares, if, as a result of such conversion, the holder, together with its affiliates, would own more than 9.99% of the total number of Common Shares issued and outstanding immediately after giving effect to the exercise. The Debentures are secured by a General Security Agreement on the assets of the Company.

On March 30, 2020, the Company a received a receipt from the OSC for its final non-offering long form prospectus filed in connection with its completed Special Warrant offering. Subsequently, on May 4, 2020, the Company commenced trading on the TSX Venture Exchange under the symbol "NEWU" at a share price of $0.70 per common share. Upon the successful listing of the Company, i) the Special Warrants were automatically converted to 14,422,822 Common Shares and 7,211,411 Common Share purchase warrants; ii) the $3,850,000 Convertible Debentures plus accrued and unpaid interest to March 30, 2020 of $376,269 were automatically converted to 8,625,037 Common Shares and 1,885,707 Unit Warrants; and iii) 51,259,973 Class A preferred shares were converted to Common Shares on a one for one basis.

In May 2029, the Company further extended the expiry dates of certain Unit Warrants included in the Convertible Debentures from May 6, 2022 to May 6, 2023.

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 90,717,100 Common Shares with no Class A Preferred Shares outstanding.

The Company has established a stock option 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 18,143,420, representing approximately 20% of the aggregate of issued and outstanding Common Shares at the date of this MD&A. As of the date of this MD&A, there are 11,026,992 stock options outstanding under the Company's stock option plan.

As of the date of this MD&A, there are outstanding 13,653,811 non-broker warrants to purchase up to 13,653,811 Common Shares and 1,617,686 compensation options to purchase up to 1,617,686 Common Shares.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are described in note 2 of the Annual Financial Statements. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures as of the date of the Annual Financial Statements. 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.

Changes in Accounting Policies

IFRS 16: Leases

Effective January 1, 2018, the Company early adopted IFRS 16: Leases ("**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.

At inception of a contract, the Company 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 Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

Where a lease has two or more separate lease components, the Company has accounted for each lease component within the contract as a lease separately from non-lease components of the contract. The non-lease components are accounted for by applying other applicable standards.

The right-of-use asset is initially measured at cost which comprises of the lease liability, lease payments made at or before the commencement date, initial indirect costs and asset retirement obligations, less any lease incentives. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The assets are depreciated to the earlier of the end of the 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 Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently, 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 adopted IFRS 16 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to opening deficit at the date of initial application. Comparative information for the year ended December 31, 2017 are not restated to reflect the adoption of IFRS 16 but continue as reported under International Accounting Standards 17. The Company has elected to not apply IFRS 16 for short term leases that are 12 months or less and for leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Company has applied IFRS 16 on a lease for office premises with a commencement date of January 1, 2018. Using an incremental borrowing rate of 15%, a right-of-use asset of $1,108,604 and lease obligation of $1,065,795 was recorded on January 1, 2018 with no impact to the opening deficit balance.

Related party transactions

The Company's key management is comprised of the Board and current or former members of the executive team of the Company. Key management compensation for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
	$	$
Salaries, fees and short-term benefits	**1,531,947**	1,258,542
Share-based benefits	**1,369,571**	110,456
	2,901,518	1,368,998

At December 31, 2019, there was $1,000,000 of unpaid bonuses related to 2019 and prior years due to a senior executive of the Company included in accounts payable and accrued liabilities (December 31, 2018 - $550,000). Subsequent to December 31, 2019, the Company issued 865,849 Common Shares and 188,571 stock options to the senior executive as payment for $400,000 of the bonuses payable. The stock options are exercisable at $0.70 per Common Share until November 6, 2021.

Subsequent to December 31, 2019, the Company issued 865,849 Common Shares and 188,571 stock options to a senior executive of the Company as payment for $400,000 of unpaid bonuses earned in prior years. The stock options are exercisable at $0.70 per Common Share until November 6, 2021.

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 U.S. 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 (see Annual Financial Statements note 18 for further details).

Risks and Uncertainties

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A. The risks and uncertainties described herein are not the only ones the Company faces.

Limited Operating History

Newtopia was founded in 2008 and spent several years experimenting with direct to consumer distribution before settling on an enterprise sales model in 2012. Following the completion of a three-year Aetna sponsored RCT in 2013, the Company launched commercially in 2016. This limited operating history makes our current business and future prospects difficult to evaluate.

We have encountered and will continue to encounter risks and uncertainties frequently experienced by new and growing companies in rapidly changing industries, such as determining appropriate investments of our limited resources, market adoption of our existing and future offerings, competition from other companies, acquiring and retaining customers, managing customer deployments, hiring, integrating, training and retaining skilled personnel, developing new offerings, determining prices for our services, unforeseen expenses and challenges in forecasting accuracy. If our assumptions regarding these and other similar risks and uncertainties, which we use to plan our business, are incorrect or change as we gain more experience operating our business or due to changes in our industry, or if we do not address these challenges successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

Lack of Profitability and Negative Operating Cash Flow

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

Market Forces

The disease prevention market is new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand and market adoption. Our success will depend to a substantial extent on the willingness of employers and insurers to internally promote our service offering and the ability of our service to drive engagement and outcomes. If employer or insurer customers and participants do not perceive the benefits of our offering or our offering does not drive engagement and outcomes, then our market might not develop at all, or it might develop more slowly than we expect, either of which could significantly adversely affect our operating results. In addition, we have limited insight into trends that might develop and affect our business. We might make errors in predicting and reacting to relevant business, legal and regulatory trends, which could harm our business. If any of these events occur, it could materially adversely affect our business, financial condition or results of operations.

The U.S. healthcare industry is massive, with a number of large market participants with conflicting agendas, and is subject to significant government regulation and is currently undergoing significant change. Changes in our industry, for example, the emergence of new technologies as more competitors enter our market, could result in our solution being less desirable or relevant. For example, we currently derive substantially all of our revenue from sales to customers that are self-insured employers. The demand for our offering depends on the need of self-insured employers to manage the costs of health care services that they pay on behalf of their employees. While the percentage of employers who are self-insured has been increasing over the past decade, there is no assurance that this trend will continue. Various factors, including changes in the health care insurance market or in government regulation of the health care industry, could cause the percentage of self-insured employers to decline, which would adversely affect the market for our offering and would negatively affect our business and operating results. Furthermore, such trends and our business could be affected by changes in health care spending resulting from the *Patient Protection and Affordable Care Act*. There is no guarantee that we would be able to compensate for the loss in revenue from employers by increasing sales of our solution to health insurance companies or to individuals or government agencies. In such a case, our results of operations would be adversely affected. If healthcare benefits trends shift or entirely new technologies are developed that replace existing solutions, our existing or future solutions could be rendered obsolete and our business could be adversely affected.

Competition

Our competitors, as well as a number of other companies, within and outside the disease prevention industry, may be pursuing new services, programs and technologies for the purpose of preventing or treating chronic conditions. Any technological breakthroughs in monitoring, treatment or prevention could reduce the potential market for our platform, which would significantly reduce our market appeal.

The frequent introduction by competitors of solutions that are or claim to be superior to our platform may create market confusion, which may make it difficult for potential clients to differentiate the benefits of our platform over competitive products. As a result, our sales may decline significantly or may not increase in line with our forecasts, either of which would adversely affect our business, financial condition and results of operation.

Some of our competitors may have greater name and brand recognition, longer operating histories, significantly greater resources than we do and may be able to offer programs similar to ours at a more attractive price than we can. Further, our current or potential customers may be acquired by third parties with greater available resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or client requirements and may have the ability to initiate or withstand substantial price competition. In addition, our competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their solutions in the marketplace.

New competitors or alliances may emerge that have greater market share, a large client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than we have, which could put us at a competitive disadvantage. Our competitors could also be better positioned to serve certain segments of our market, which could create additional price pressure. In light of these factors, even if our platform is more effective than those of our competitors, current or potential clients may accept competitive solutions in lieu of purchasing our solution. If we are unable to successfully compete, our business, financial condition, and results of operations could be adversely affected.

Customer Concentration

The Company's current customer base is concentrated to a few large customer contracts. In the event that a contract with one of its major customers is terminated and the Company is unable to find new customers or other sources of comparable revenue within a reasonable time period, the Company's operations and financial results would be adversely affected.

Revenue during the first nine months of 2019 has surpassed revenue for the entire 2018 fiscal year by approximately 50%, driven by new participant starts stemming from two additional indirect customer launches during the first half of 2019 and the phased roll out by the direct customers launched in 2018. The proportion of revenue from the health insurer and the one direct customer during the nine months ended September 30, 2019 was 46% and 41%, respectively.

Participant Enrollment and Engagement

Certain fees the Company charges customers are dependent upon voluntary participant participation in the platform and the achievement of clinical outcomes. If participants drop out of the platform, leave their employer, choose to participate in the platform sporadically or not at all, or do not achieve clinical outcomes, the Company will lose revenue and this will negatively affect our operations. If the number of employees covered by one or more of our customer's health plan programs were to be reduced, this decrease would also lead to a decrease in our revenue. In addition, the growth forecasts of our customers are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate and their enrollment in our platform could fail to grow at anticipated rates, if at all, which could have an adverse effect on our business, financial condition or results of operations.

In addition, our ability to achieve significant growth in revenue in the future will depend, in large part, upon our ability to attract new employer and insurer customers. If we fail to attract new customers and fail to maintain and expand new customer relationships, our revenue may grow more slowly than we expect and our business may be adversely affected.

Customer Rollout

The rollout of our platform can vary widely by customer and is typically phased out over time across the enterprise. Our employer customers have the ability to alter the size and timing of phased rollouts to at-risk employees which affects the timing of our revenue and makes revenue difficult to forecast. In addition, if our customers do not allocate the internal resources necessary for a successful rollout for their employees, or the rollout date is delayed, we could incur significant costs, our enrollment rate may decline and/or customers could become dissatisfied and decide not to increase utilization of our platform.

Regulatory Risks

The Company faces regulatory risks, many of which are outside of its control. Healthcare laws and regulations are constantly evolving and could significantly change in the future. The Company closely monitors these developments and will modify its operations from time to time as the regulatory environment requires. There can be no assurances, however, that the Company will always be able to adapt its operations to address new laws or regulations or that new laws or regulations will not adversely affect its business. Potential changes to laws and regulations, more vigorous enforcement thereof, or unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Compliance with various laws and regulations including but not limited to the *Genetic Information Nondiscrimination Act* ("**GINA**") and HIPAA in the U.S. and the *Genetic Non-Discrimination Act* ("**GNDA**") in Canada, is necessary for the Company to achieve its business objectives. Failure to comply with such laws and regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. Although we believe that we are operating materially in compliance with applicable federal and state laws and regulations, neither the Company's current or anticipated business operations nor the operations of the Company's contracted suppliers have been the subject of judicial or regulatory interpretation. The Company cannot assure investors that a review of the Company's business by courts or regulatory authorities will not result in a determination that could materially adversely affect the Company's operations.

Genetic Testing

The marketing, sale and use of the genetic testing component of our platform could subject us to liability for errors in, misunderstandings of, providing genetic counseling, or inappropriate reliance on, information we provide to participants, and lead to claims against us. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for us to defend. Although we maintain liability insurance, including for errors and omissions, we cannot assure you that our insurance would fully protect us from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any liability claim, including an errors and omissions liability claim, brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any liability lawsuit could cause injury to our reputation. The occurrence of any of these events could adversely affect our business, reputation and results of operations.

Ethical, legal and social concerns related to the use of genetic information could impact our business. Currently, the GINA and GNDA protects individuals from discrimination based on their genetic information in both health insurance and employment. However, governmental authorities could, for social or other purposes, limit, regulate or prohibit the use of genetic information or genetic testing. Similarly, these concerns may lead participants to refuse to engage in genetic testing, even if permissible. These and other ethical, legal and social concerns may limit market acceptance of genetic testing which could adversely affect our business, financial condition, or results of operations.

Liability

As a provider of lifestyle coaching, recommending nutrition, exercise and behaviour modification, Newtopia is exposed to the risk of liability claims. To mitigate against this risk, Newtopia has taken the following steps:

- Newtopia's programs have been designed by a team of leading experts, each with accountability to oversight bodies, in compliance with medical and lifestyle guidelines including: Center of Disease Control, Clinical Obesity Guidelines, Food Guides, Physical Activity Guidelines and Mental Health Association Guidelines;
- Newtopia's personal profile tool identifies nutrition, exercise, behaviour and medical contraindications that must be explored before a client is enrolled in a Newtopia program;
- Participants complete a comprehensive limitation of liability waiver and genetic consent agreement within Newtopia's service agreement upon program enrolment;
- Newtopia programs are standardized and rules-based to ensure that coaches do not exercise personal discretion in the application of lifestyle recommendations; and

- Newtopia carries extensive insurance policies covering personal, general and professional liability along with property.

It is our belief that the Company's platform does not constitute the practice of medicine or provide medically necessary services and is strictly offered for educational purposes only. To the extent that the Company extends to other market areas (i.e., Medicare and Medicaid) or changes billing methods, we may be exposed to increased regulatory requirements under the *Employee Retirement Income Security Act of 1974* ("**ERISA**"), a federal law that sets minimum standards for employee benefit plan maintained by private-sector employers. We are not currently bound by ERISA standards, but should we become bound, violating these standards can have serious and costly consequences that could adversely affect our business, financial condition or results of operation.

The Company's platform is also not currently subject to regulation or pre-approval by the Food and Drug Administration ("**FDA**"). The FDA is a federal agency of the U.S. Department of Health and Human Services and is responsible for regulating a wide range of products, including foods, medical devices, drugs and cosmetics. If the scope of regulation under the FDA were to be broadened or the Company expands its platform in such a way as to fall under the existing scope of the FDA, we may be exposed to pre-approval and increased regulatory requirements, which could require changes to the Company's operations and lead to increased compliance costs. Should we become subject to the FDA and fail to comply with these new regulatory requirements, a number of sanctions could be imposed on us that could adversely affect our business, financial condition or results of operation.

Employee Misconduct

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation. We are exposed to the risk of employee fraud or other misconduct, including intentional failure to comply with laws and regulations. We have a Code for our directors, officers and employees, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Reliance on Suppliers

We rely on a number of suppliers, or, in some cases, sole suppliers for genetic testing and physician prescription services for genetic testing. While we do have service agreements in place with these suppliers, they could cease to provide such services and as a result, limit our ability to fulfill our service obligations to customers. There are alternative supplier options, however, transitioning to a new supplier could be time consuming and expensive. Therefore, any such interruption could significantly affect our business, financial condition, results of operations and reputation.

We rely on our genetic testing lab to maintain compliance with applicable laws and regulations, including maintenance of required licensing and certificates. Our genetic testing labs are subject to the *Clinical Laboratory Improvement Amendments of 1988* ("**CLIA**"), a U.S. federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention, or treatment of disease. CLIA regulations establish specific standards with respect to personnel qualifications, facility administration, proficiency testing, quality control, quality assurance, and inspections. The College of American Pathologists ("**CAP**") maintains a clinical laboratory accreditation program. Designed to go well beyond regulatory compliance, CAP asserts that the program helps laboratories achieve the highest standards of excellence to positively impact patient care. Failure to maintain proper CLIA certification and CAP accreditation could significantly affect our business, financial condition, results of operations and reputation.

Failure to comply with applicable clinical laboratory licensure requirements may result in a range of enforcement actions, including license suspension, limitation, or revocation, directed plan of action, onsite monitoring, civil monetary penalties, criminal sanctions, as well as significant adverse publicity.

Data Privacy and Security

Security breaches, loss of data, changes to genetic or phenotypic data ownership and other disruptions could compromise sensitive information related to our business and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect, use and store sensitive data, including legally protected health information, genetic data, personally identifiable information, intellectual property and proprietary business information. We manage and maintain our applications and data utilizing a combination of on-site systems, managed data center systems, and cloud-based data center systems. These applications and data encompass a wide variety of business-critical information including commercial information, and business and financial information. We face a number of risks relative to protecting this critical information, including loss of access risk, inappropriate disclosure, inappropriate modification, and the risk of our being unable to adequately monitor and modify our controls over our critical information.

The secure processing, storage, maintenance and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under federal or state laws that protect the privacy of personal information, such as Canada's PIPEDA which, along with its provincial counterparts, governs the collection, use and disclosure of personal information in the course of commercial activities by private sector organizations in Canada, and the U.S.' HIPAA and the HITECH Act as well as regulatory penalties. HIPAA establishes privacy and security standards that limit our use and disclosure of personal health insurance ("**PHI**") and requires us to implement administrative, physical and technical safeguards to ensure the confidentiality, integrity and availability of PHI, as well as notify our covered entity customers of breaches of unsecured PHI and security incidents. We act as a HIPAA "business associate" to our covered entity customers because we collect, use and maintain PHI in order to provide services to these customers. HIPAA requires us to enter into satisfactory written business associate agreements with our covered entity customers, which contain specified written assurances that we will safeguard PHI that we create or access and will fulfill other material obligations. Under the Omnibus Final Rule, whose primary purpose is to implement HITECH Act mandates, we may be held directly liable under our business associate agreements and HIPAA for any violations of HIPAA. Therefore, we could face liability to our customers under our contracts with them as well as liability to the government under HIPAA if we do not comply with our business associate obligations and those provisions of HIPAA that are applicable to us. While we take measures to comply with applicable laws and regulations as well as our own internally disseminated privacy and security policies, such laws, regulations and related legal standards for privacy and security continue to evolve and any failure or perceived failure to comply with applicable laws, regulations and standards may result in threatened or actual proceedings, actions and public statements against us by government entities, private parties, consumer advocacy groups or others, or could cause us to lose clients, which could have a material adverse effect on our business, financial condition and results of operations. In addition, we could be exposed to risk of a data breach affecting any of our subcontractors. The penalties for a violation of HIPAA are significant and, if imposed, could have a material adverse effect on our business, financial condition and results of operations. In addition, the interpretation and application of consumer, health-related, and data protection laws in Canada, the U.S. and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business.

Security Threats

Cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks could result in any person gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, including personally identifiable information, corrupting data or causing operational disruption. Cyber-attacks could also result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business and financial results.

The Company has not experienced any material losses to date related to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future which could be in excess of any available insurance, and could materially adversely affect our business and financial results. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Managing Growth

We may not be able to manage our future growth effectively, which could make it difficult to execute our business strategy. Our expected future growth could create a strain on our organizational, administrative and operational infrastructure, including coaching, customer service, technology, marketing and sales, and management. We may not be able to maintain the quality of or expected turnaround times for our services or satisfy customer demand as it grows. Our ability to manage and scale our growth properly will require us to continue to improve our operational, technological, financial and management controls, as well as our reporting systems and procedures. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our business could be harmed. Future growth in our business could also make it difficult for us to maintain our corporate culture.

Participant Support

In implementing and using our platform, our participants depend on support to resolve issues in a timely manner. We may be unable to respond quickly enough to accommodate short-term increases in demand for such support. Increased participant demand for support could increase costs and adversely affect our results of operations and financial condition. Our sales are highly dependent on our reputation and on positive recommendations from our existing participants and clients. Any failure to maintain high-quality participant support, or a market perception that we do not maintain high-quality participant support, could adversely affect our reputation and in turn could have a material adverse effect on the Company's business, operating results or financial condition.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, as the Company continues to grow, we may be unable to continue to attract or retain the personnel we need to maintain our competitive position. In addition to hiring new employees, we must continue to focus on retaining our best talent. We may need to invest significant resources on new and existing employees and we may never realize returns on these investments. If we are not able to effectively increase and retain our talent, our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

Possible Acquisitions

As part of our business strategy, we may pursue acquisitions of complementary businesses or assets, form joint ventures or make investments in other companies or technologies that could harm our operating results, dilute our stockholders' ownership, or cause us to incur debt or significant expense. We also may pursue strategic alliances to expand our offerings or distribution or make investments in other companies. As an organization, we have limited experience with respect to acquisitions as well as the formation of strategic alliances and joint ventures. If we make any acquisitions in the future, we may not be able to integrate these acquisitions successfully into our existing business, and we could assume unknown or contingent liabilities. Any future acquisitions by us also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm our operating results. Integration of an acquired company or business also may require management resources that otherwise would be available for ongoing development of our existing business. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment. To finance any acquisitions or investments, we may choose to raise additional funds. If we raise funds by issuing equity securities, dilution to our stockholders could result. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of our Common Shares. If we raise funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of our Common Shares. The terms of debt securities issued or borrowings could impose significant restrictions on our operations. If we raise funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our technologies or products or grant licenses on terms that are not favourable to us. Once we become a public company, if the price of our common stock is low or volatile, we may not be able to acquire other companies for stock. Alternatively, it may be necessary for us to raise additional funds for these activities through public or private financings. Additional funds may not be available on terms that are favourable to us, or at all.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests provided that such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that could interfere with their ability to devote time to the Company's business and affairs and that may adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors to the detriment of the Company. In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Litigation

The Company may become party to litigation from time to time which could adversely affect its business. It is our belief that Newtopia's platform does not constitute the practice of medicine or subject us to professional malpractice claims. Nonetheless, such claims relating to the services we provide may arise. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and is successful, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Intellectual Property Rights

The Company relies on trade secret, patent, copyright and trademark laws, and confidentiality, licensing and other agreements with executives, consultants and third parties, all of which offer only limited protection. If we are compelled to spend significant time and money protecting or enforcing our intellectual property, our business and financial prospects may be harmed. If we are unable to effectively protect the intellectual property we own, other companies may be able to offer the same or similar services, which could materially adversely affect our competitive business position and business prospects. The Company's patent may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing the same or similar services. Even if our patent is unchallenged, it may not adequately protect our intellectual property, provide exclusivity for our services or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their Common Shares for a price greater than that which such investors paid for them.

International Expansion

The Company may in the future expand its operations and business into jurisdictions outside of Canada and the U.S. There can be no assurance that any market for the Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, lack of brand familiarity and the effects of competition. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

Volatile Market Price for the Common Shares

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 Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts; changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital materials and services;
- changes in global financial markets and global economies and general market conditions;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Technical Problems

We may encounter technical obstacles, and it is possible that we discover additional problems or design defects that prevent our platform from operating properly. If our platform is not performed properly and reliably, malfunctions or fails to achieve customer expectations in terms of performance, customers could assert liability claims against us or attempt to cancel their contracts with us. This could damage our reputation and impair our ability to attract or maintain customers.

Any real or perceived errors, failures, bugs or other vulnerabilities discovered in our products could result in negative publicity and damage to our reputation, loss of clients, loss of participants, loss or delay in market acceptance of our platform, loss of competitive position, loss of revenue or liability for damages, overpayments and/or underpayments, any of which could harm our enrollment rates. Similarly, any real or perceived errors, failures, design flaws or defects in our products could have similar negative results. In such an event, we may be required or may choose to expend additional resources in order to help correct the problem. Such efforts could be costly, or ultimately unsuccessful. Even if we are successful at remediating issues, we may experience damage to our reputation and brand.

Economic Conditions

A potential downturn in general economic conditions and the associated market volatility and uncertainty, could have a negative impact on both our customers' and our ability to accurately forecast and plan future business activities. In addition, these conditions could cause our customers or prospective customers to decrease headcount, benefits or human resources budgets, which could decrease corporate spending on our services, resulting in delayed and lengthened sales cycles, a decrease in new customer acquisition and loss of existing customers. Furthermore, during challenging economic times, our customers may have difficulty gaining timely access to sufficient credit or obtaining credit on reasonable terms, which could impair their ability to make timely payments to us and adversely affect our revenue. If that were to occur, our financial results could be harmed. Further, challenging economic conditions might impair the ability of our customers to pay for the services they have already purchased from us and, as a result, our write-offs of accounts receivable could increase. We cannot predict the timing, strength, or duration of any potential economic slowdown or recovery and such a slowdown could cause our business to be harmed.

Accounting Standards

The Company's implementation of and compliance with changes in accounting rules and interpretations could adversely affect its operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. The Company cannot predict the impact of future changes to accounting principles on its financial statements going forward.

Accounting Estimates and Judgments

The Company routinely makes accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of its financial statements and the reported amounts of its operating results during the periods presented. In addition, the Company interprets the accounting rules in existence as of the date of its financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, subsequent adjustments could have an adverse effect on the Company's operating results for the period or periods in which the change is identified. Subsequent adjustments could require the Company to restate its historical financial statements. The Company continually reviews accounting rules and regulations and works with its auditors and third-party experts on all significant accounting and valuation matters.

Seasonality

The Company's revenue fluctuates quarterly depending on the level of Welcome Kit sales which usually occur in bulk at the outset of a new customer implementation or in phases as customers introduce the Company's platform to its employees.

Subscription revenues are subject to seasonality with greater Engagement at the start of the calendar year. We may be affected by seasonal trends in the future, particularly as our business matures. To the extent we experience this seasonality, it may cause fluctuations in our operating results and financial metrics and make forecasting our future operating results and financial metrics more difficult.

Additional Taxes

The Company may be subject to assessments for additional taxes, including sales taxes, which could reduce the Company's operating results. In accordance with current law, the Company pays, collects and/or remits taxes in those jurisdictions where it maintains a physical presence. In computing our tax obligations in these jurisdictions, the Company is required to take various tax accounting and reporting positions on matters that may not be entirely free from doubt and for which the Company has not received rulings from the governing authorities.

While the Company believes it has appropriately remitted all taxes based on its interpretation of applicable law, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us if the applicable authorities do not agree with its positions. A successful challenge by a tax authority, through asserting either an error in the Company's calculation, or a change in the application of law or an interpretation of the law that differs from the Company's own, could adversely affect its results of operations.

Sales of Substantial Amounts of the Common Shares

Sales of substantial amounts of the Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Reports on the Business

The trading market for our Common Shares depends, to some extent, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts or the information contained in their reports. If one or more analysts publish research reports that are interpreted negatively by the investment community, or have a negative tone regarding our business, financial condition or operating performance, industry or end-markets, our share price could decline. In addition, if a majority of these analysts cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Exchange Rate Fluctuations

Due to the Company's operations in the U.S., the Company may be exposed to the effects of fluctuations in currency exchange rates. The Company generates revenue and incurs expenses for employee compensation and other operating expenses in Canadian dollars. Fluctuations in the exchange rates between the Canadian dollar and the U.S. dollar could result in the dollar equivalent of such revenue and expenses being lower, which could have a negative net impact on the Company's reported operating results.

Brand Awareness

The Company believes that developing and maintaining strategic awareness of its brand in a cost-effective manner is critical to achieving widespread acceptance of its services and attracting new clients. The Company's marketing efforts are primarily directed at the development of new clients and increased penetration of existing clients. Brand promotion activities may not generate client awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses the Company incurs in building its brand. If the Company fails to successfully promote and maintain its brand, or incur substantial expenses, it may fail to attract or retain clients necessary to realize a sufficient return on the Company's brand-building efforts, or to achieve the widespread brand awareness that is critical for broad client adoption of the Company's Program.

Corporate Culture

The Company believes that its corporate culture is a critical component of its success. As the Company develops the infrastructure of a public company and continues to grow, the Company may find it difficult to maintain these valuable aspects of its corporate culture. Failure to preserve its corporate culture could negatively impact the Company's future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

Internal Controls

The Company is not currently required to comply with National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). As a public company, the Company will become subject to reporting and other obligations under applicable Canadian securities laws. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. In order to meet such requirements, the Company will, among other things, establish systems, implement financial and management controls, reporting systems and procedures and, if necessary, hire qualified accounting and finance staff. However, if the Company is unable to accomplish any such necessary objectives in a timely and effective manner, the Company's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in the Company's reported financial information, which could result in a reduction in the trading price of the Common Shares.

The Company does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Public Company Expenses

As a public company, the Company is subject to the continuous and timely disclosure requirements of Canadian securities laws and the rules, regulations and policies of any stock exchange. It will incur increased legal, accounting and other costs not incurred as a private company. The Company will be subject to, among other things, the rules and regulations of the applicable securities regulators. Management expects that compliance with these requirements will increase the Company's legal and financial compliance costs and will make some activities more time consuming and costly. In addition, there is an expectation that management and other Company personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. The Company has made, and will continue to make, changes to its financial management control systems and other areas to manage its obligations as a public company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. However, there is no assurance that these and other measures taken will be sufficient to allow the Company to satisfy its obligations as a public company on a timely basis.

Damage and Interruptions

The Company's systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on the Company's business, operating results and financial condition and its insurance coverage may be insufficient to compensate the Company for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas which have a higher population density than rural areas, could cause disruptions in the Company's or its clients' businesses or the economy as a whole. The Company may not have sufficient protection or recovery plans in certain circumstances and its insurance may be insufficient to compensate the Company for losses that may occur.

COVID-19 Pandemic

In December 2019, the 2019 novel corona virus ("**COVID-19**") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. 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. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Similarly, we cannot estimate whether or to what extent this outbreak and potential financial impact may extend to countries outside of those currently impacted. At this point, the extent to which the coronavirus may impact our results is uncertain, however, it is possible that our results in 2020 may be negatively impacted by this event. The impacts of the outbreak are unknown and rapidly evolving.

As our two largest clients which represent approximately 60% of our revenues are Fortune 50 companies and deemed to be essential services, to date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted, and there is no assurance that the outbreak will not have a material adverse impact on the future results of the

Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

We face various risks related to health epidemics, pandemics and similar outbreaks, including COVID-19. In recent weeks, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets, which increases the cost of capital and adversely impacts access to capital. If significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, facility closures or other restrictions in connection with the COVID-19 pandemic, our operations will likely be impacted. We may be unable to perform fully on our contracts and our costs may increase as a result of the COVID-19 outbreak. These cost increases may not be fully recoverable or adequately covered by insurance.

We rely on third-party suppliers and manufacturers in China. This outbreak has resulted in the extended shutdown of certain businesses in China, which may in turn result in disruptions or delays to our supply chain. These may include disruptions from the temporary closure of third-party supplier and manufacturer facilities, interruptions in product supply or restrictions on the export or shipment of our products. Although we currently have sufficient welcome kits inventory to meet our expected demand until approximately the end of the second fiscal quarter, any disruption of our suppliers and their contract manufacturers beyond that timeline will likely impact our sales and operating results. The outbreak of COVID-19 may also impact customer demand, the availability of key components sourced from China, logistics flows and the availability of other resources to support critical operations in the Asia Pacific region

It is possible that the continued spread of COVID-19 could also further cause disruption in our supply chain; cause delay, or limit the ability of our customers to perform, including in making timely payments to us; impact investment performance; and cause other unpredictable events.

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

We cannot at this time predict the impact of the COVID-19 pandemic, but it could have a material adverse effect on our business, financial position, results of operations and/or cash flows.

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures

The Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**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 December 31, 2018, the internal controls over financial reporting were effective.

Inherent limitations

It should be noted that in 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.