newtopia

Management's Discussion and Analysis

Dated: April 6, 2021

For the Year Ended December 31, 2020

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis ("**MD&A**") of the financial condition and results of the operation of Newtopia Inc. (the "**Company**" or "**Newtopia**") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2020 and should be read in conjunction with Newtopia's audited financial statements and notes thereto for the year ended December 31, 2020 and 2019 (the "**Audited Financial Statements**"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The accounting policies followed in the preparation of the Audited Financial Statements are disclosed in Note 2 of the Notes to the Audited Financial Statements.

Unless otherwise noted, the Audited Financial Statements and the financial information contained in this MD&A are 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 and are presented in Canadian dollars, unless indicated otherwise. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of **April 6**, 2021, unless otherwise indicated. The Audited Financial Statements are incorporated by reference herein and form an integral part of this MD&A.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A contains forward-looking information as further described in the "Forward-looking information" at the end of this MD&A. Please also make reference to those risk factors identified or otherwise indirectly referenced in the "Risks and Uncertainties" section below as well as those risk factors discussed or referred to in disclosure documents filed by Newtopia wit the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com.

Forward-looking Information

Certain information included in this MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This information, which is information relating to future events or the Company's future performance and which is inherently uncertain, includes, but is not limited to, statements made in "Business Overview", "Results from Operations", "Debt Operations", "Debt-Profile" and other statements concerning the Company's expectations regarding its future working capital requirements, including its ability to satisfy such requirements, sales momentum continuing in future financial periods, Newtopia's objectives, its ability to retain key personnel and clients, 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", "might", "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., the state of the capital markets, dependency on key clients, suppliers and partners, competition, the outcome and cost of any litigation, general economic conditions that we operate in and the ability to raise financing to fund capital expenditures and operations as well as those risk factors discussed or referred to in disclosure documents filed by the Company with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com.. 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 Ontario Business Corporations Act ('OBCA"). The Company's head office is located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6.

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

The Company is a tech-enabled habit change provider focused on preventing disease and lowering population risk. The Newtopia platform leverages precision health tools including, genetic testing and behavioural evaluations, to develop and implement personalized experiences combining the best of human intervention with the best of digital interaction. Through habit change and lifestyle intervention, individuals at-risk of developing preventable chronic disease improve their habits around their physical and mental health. The Company partners with insurers and employers (primarily in the 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 instead targets the approximately 50-80% at-risk population. Newtopia enables participants to sustainably change habits, maintain health, avoid or reduce their likelihood of developing chronic disease and reduce exorbitant healthcare costs in the 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. The Company believes 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 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 their personal program. These tools can include a genetic test, smart scale, activity tracker, access to a personalized mobile app and measuring tape for measuring waist circumference. The Company's mobile platform provides participants access to their Inspirator, video lessons, reporting from bio-sensors, goals, messaging, and their progress from anywhere in the world. It also helps to extend the relationship between participant and Inspirator, 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 physical and mental health and to personalize lifestyle recommendations by gaining a deeper understanding of how genes impact an individual's risk. The genetic test is designed specifically to look for genetic characteristics related to physical and mental health as well as lifestyle management. The Company provides specific genetically-driven recommendations that are evidence and guideline-based for nutrition, exercise and behaviour management to combat the potential effect of those genetic characteristics. These recommendations could include changes in the proportion of fats, carbohydrates and proteins the participant eats, the form and intensity of exercise required to burn a sufficient number of calories and appropriate behavioural and mental health support and exercises. These genetically driven recommendations are then incorporated into the participant's personalized lifestyle plan to further refine and personalize each participant experience.

In addition to its solution for lowering risk for metabolic syndrome, Newtopia delivers individualized support with the following programs:

Hypertension & Heart Health: Participants with prehypertension and hypertension develop sustainable habit changes with an emphasis on increased activity, nutrition recommendations from the DASH diet, smoking cessation (if necessary) and stress management.

Type 2 Diabetes Prevention: Designed to support prevention and progression of diabetes, the program is personalized for each participant to support the changes needed to improve health, reduce blood glucose and lower insulin resistance. Participants develop sustainable habit changes by adjusting nutrition and incorporating low glycemic foods, adding a daily routine of cardio and strength exercises, improving sleep and identifying triggers and ways to manage emotional eating.

Weight Management: Individuals who are obese learn about healthy food options and balanced macronutrients, receive education and tools related to insulin resistance and regular cardio and strength exercise. For participant's mental health, they generate awareness around emotional eating and using food as a reward, focus on sleep and stress management, identify triggers and cope with challenges and receive guidance to support behavioral change.

Healthy Living with Diabetes: For participants with type 2 Diabetes, Newtopia's Healthy Living with Diabetes program is developed to reverse and slow progression of the condition. The program supports lifestyle changes to lower A1C, reduce insulin resistance, and improve overall health by: adjusting nutrition and incorporating low glycemic foods, adding a weekly routine of cardio and strength exercises, improving sleep, identifying stress triggers and coping with challenges, promoting adherence to medication and blood glucose monitoring and managing emotional eating

Corporate Update

Revenue during the three and twelve months ended December 31, 2020 of $2,476,904 and $11,416,319 increased by 60% and 87%, respectively over the same periods of the previous year. The growth in revenue is due to the expansion of the participant base attributed mainly to a new incentivized program launched by one of its Fortune 500 customers.

Operating expenses during the three and twelve months ended December 31, 2020 of $4,228,490 and $12,094,333 have increased by 2% and 28%, respectively over the same periods of the previous year largely driven by costs associated with headcount increases and the Company's initial public offering ("IPO") in May 2020.

Net loss and comprehensive loss during the three and twelve months ended December 31, 2020 decreased by 28% and 24%, respectively over the same periods of the previous year. The reduced losses are a result of the strong year over year revenue growth.

On October 29, 2020, the Company closed a bought deal offering 7,900,000 units (the "Units") at a price of $0.95 per Unit for aggregate gross proceeds of $7,505,000. Each Unit consists of one common share in the capital of the Company (each a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share for a period of 24 months following the closing of the Offering at an exercise price of $1.30 per share.

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

World-Class Leadership Team and Board of Directors

During the fiscal year 2020, Newtopia added a new Chief Financial Officer, Anthony Lam, a New Chief Growth and Operating Officer, Lara Dodo and a new Chief Technology Officer and Head of Product, Bill Van Wyck. All three new executive officers bring a wealth of experience to Newtopia. In addition, Newtopia appointed a new advisory board with leaders across clinical research, benefits, and commercialization. The advisory board includes:

- Hassan Azar, head of Global Total Rewards, JLL
- Mike Payne, chief growth officer, ZOOM+Care, former head of commercial and policy at Virta Health and former chief commercial officer and head of medical affairs at Omada Health
- Greg Steinberg, MD, former head of clinical innovation at Aetna

Newtopia's board oversees a world-class leadership team with in-depth understanding of and experience in various aspects of Newtopia's business.

Covid-19 Update

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.

The pandemic has led to widespread economic uncertainty and volatility in the financial markets which could adversely impact the Company's cost and access to capital. With concerns over 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 recent release of effective Covid-19 vaccines has provided a positive boost to consumer confidence and to the outlook for an economic rebound. The arrival of new variants of the virus could however prompt new social distancing restrictions and slow any global recovery. The future impact of Covid-19 therefore remains uncertain and could have a material adverse effect on the Company's business, financial position, results of operations and/or cash flows.

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

Trends

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

Apart from the impact of COVID-19 noted above and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Outlook

The Company intends to continue to deliver disease prevention solutions by leveraging technology, behavioral science and genetics to help individuals prevent chronic disease and reduce costs for employers and insurers.

There is no assurance that equity capital will be available to the Company in the future in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risks and Uncertainties" below.

See "Cautionary Note Regarding Forward-Looking Statements" above.

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company.

Selected Financial Information

	Years Ended December 31,			
	2020	**2019**	**Change**	**2018**
	$	**$**	**%**	**$**
Revenue	11,416,319	6,109,282	87%	3,073,901
Cost of sales	5,913,724	4,138,939	43%	2,174,926
Gross profit	5,502,595	1,970,343	179%	898,975
Gross profit margin	48%	32%	50%	29%
Operating expenses	12,094,333	9,463,712	28%	6,318,055
Operating loss	(6,591,738)	(7,493,369)	(12%)	(5,419,080)
Other expenses	1,140,108	2,647,221	(57%)	969,757
Net loss and comprehensive loss	(7,731,846)	(10,140,590)	(24%)	(6,388,837)
Basic and diluted loss per share	(0.12)	(0.65)	(82%)	(0.41)

	As at December 31,			
	2020	2019	Change	2018
	$	$	%	$
Total assets	7,896,042	5,627,172	40%	3,682,276
Total liabilities	3,696,180	16,839,655	(78%)	16,125,031
Equity	4,199,862	(11,212,483)	(137%)	(12,442,755)
Total liabilities and equity	7,896,042	5,627,172	40%	3,682,276

	Three Months Ended December 31,		
	2020	2019	Change
	$	$	%
Revenue	2,476,904	1,537,685	61%
Cost of sales	1,215,148	1,389,509	(13%)
Gross profit	1,261,756	148,176	752%
Gross profit margin	51%	10%	410%
Operating expenses	4,228,490	4,152,205	2%
Operating loss	(2,966,734)	(4,004,029)	(26%)
Other expenses	(38,342)	75,243	(151%)
Net loss and comprehensive loss	(2,928,392)	(4,079,272)	(28%)
Basic and diluted loss per share	(0.03)	(0.26)	(88%)

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 do not meet a targeted range.

Revenue for the three and twelve months ended December 31, 2020 increased by 61% and 87%, respectively over the same periods in the previous year. The increase is attributed to the increase in participant enrolment from the launch in late December 2019 of a new incentivized program offered by a customer to a segment of its employee population. The new program resulted in a surge in Welcome Kit and engagement revenues during the year ended December 31, 2020. Participants in the customer program could earn monthly incentives from their employer for actively participating in the Newtopia program.

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.

As a result of the high number of new starts from the customer incentive program launch in December 2019, the Company posted significantly higher Welcome Kit sales during the three months ended December 31, 2019 as compared to the sales in the three months ended December 31, 2020. The lower mix of Welcome Kit sales to engagement revenue in the three-month period ended December 31, 2020 has resulted in an increase of the gross profit margin by 41% from 10% to 51% over the same period of the previous year.

Cost of sales for the year ended December 31, 2020 increased by 43% over the same period in the previous year. The increase is due to the higher number of Welcome Kit sales and expansion of the coaching team during the year. Gross profit margin increased by 16% from 32% to 48% and can be attributed to higher margins on Welcome Kit components and improved utilization rates of coaches.

Operating Expenses

The table below sets forth the details of operating expenses for the three months and years ended December 31, 2020 and 2019:

	Three Months Ended December 31,			
	2020	**2019**	**Change**	
	$	**$**	**$**	**%**
Technology and development	1,057,629	826,615	231,014	28%
Sales and marketing	1,203,927	514,061	689,866	134%
General and administrative	1,571,891	1,351,323	220,568	16%
Share-based compensation	395,043	1,460,206	(1,065,163)	(73%)
	4,228,490	4,152,205	76,285	2%

	Years Ended December 31,			
	2020	2019	Change	
	$	$	$	%
Technology and development	3,439,845	2,512,631	927,214	37%
Sales and marketing	3,528,912	1,709,794	1,819,118	106%
General and administrative	4,353,914	3,216,507	1,137,407	35%
Share-based compensation	771,662	2,024,780	(1,253,118)	(62%)
	12,094,333	9,463,712	2,630,621	28%

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

Technology and development expenditures during the three month and year ended December 31, 2020 increased by 28% and 37% respectively over the same periods in the prior year. 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. The Company has increased efforts towards the expansion and enhancement of its suite of products and the development of new digital solutions that will facilitate the Company's ability to adequately scale.

Selling and marketing expenses during the three month and year ended December 31, 2020 increased by 134% and 106% respectively over the same periods in the prior year. The increases are due to added headcount in the sales and marketing team and expanded expenditures towards business and brand development. The Company also bolstered its internal selling and marketing efforts towards re-engaging participants and enhancing the participant experience. A new internal sales team was created in December 2019.

General and administrative expenses during the three month and year ended December 31, 2020 increased by 16% and 35% over the same periods of the previous year. The increases are due to the professional and listing fees incurred on the Company's IPO and the increased administrative costs associated with the Company's growth, including occupancy, human resources, insurance and general office expenditures.

Share-based compensation expense during the three month and year ended December 31, 2020 decreased by 73% and 62% as compared to the respective previous periods of the prior year. The higher expenses for the previous periods are mainly due to a modification expense of $1,276,476 recognized in October 2019 for the extension of the exercise period of 1,756,086 stock options.

Other Expenses

The table below sets forth the details of other expenses for the three month and year ended December 31, 2020 and 2019:

	Three Months Ended December 31,			
	2020	2019	Change	
	$	$	$	%
Depreciation of property and equipment	18,393	19,041	(648)	(3%)
Depreciation of right-of-use asset	46,189	46,190	(1)	(0%)
Interest and accretion expense	-	477,504	(477,504)	(100%)
Interest on lease obligations	33,358	38,775	(5,417)	(14%)
Finance charges	2,005	6,724	(4,719)	(70%)
Foreign exchange loss/(gain)	56,679	42,602	14,077	33%
Change in value of convertible debenture derivative liabilities	-	(140,178)	140,178	(100%)
Gain on extinguishment of convertible debentures	-	(408,778)	408,778	(100%)
Loss on settlement of debt	-	-	-	
Change in value of derivative liability	(194,966)	(6,637)	(188,329)	2838%
	(38,342)	75,243	(113,585)	(151%)

	Years Ended December 31,			
	2020	2019	Change	
	$	$	$	%
Depreciation of property and equipment	80,298	56,437	23,861	42%
Depreciation of right-of-use asset	184,767	184,766	1	0%
Interest and accretion expense	233,542	2,640,030	(2,406,488)	(91%)
Interest on lease obligations	143,325	158,642	(15,317)	(10%)
Finance charges	13,000	6,724	6,276	93%
Foreign exchange loss/(gain)	(34)	42,244	(42,278)	(100%)
Change in value of convertible debenture derivative liabilities	448,656	(54,081)	502,737	(930%)
Gain on extinguishment of convertible debentures	-	(408,778)	408,778	(100%)
Loss on settlement of debt	167,716	-	167,716	
Change in value of derivative liability	(131,162)	21,237	(152,399)	(718%)
	1,140,108	2,647,221	(1,507,113)	(57%)

Depreciation of property and equipment during the year ended December 31, 2020 rose by 42% over the same period of the previous year as a result of computer and office equipment purchases made during the fourth quarter of 2019 in anticipation of increased headcounts in 2020.

Interest and accretion expense relates to the amortization of the debt portion of the convertible debenture units issued in November 2018 (See “Financing”). On March 30, 2020, the Company had obtained both the final receipt from the OSC for its Final Prospectus and the conditional approval to list from the TSX-V. Upon the commencement of trading of the Company's common shares on May 4, 2020, the outstanding convertible debentures plus accrued and unpaid interest to March 30, 2020 were automatically converted. The interest and accretion expense during the three months ended December 31, 2020 was therefore nil.

The Company derives 100% of its revenue in U.S. currency. The Company’s US denominated assets and liabilities consists of USD cash, accounts payables and 100% of its trade receivables. The U.S. dollar relative to the Canadian dollar declined in the early part of 2020 but fully recovered by final quarter of the year. The Company recorded an unrealized exchange loss primarily on its US customer receivables during the three months ended December 31, 2020.

The convertible debentures derivative liabilities relate to the conversion feature and Unit Warrants of the Convertible Debenture Units issued on November 6, 2018. The derivative liability was extinguished upon the listing of the Company on May 4, 2020.

Loss on settlement of debt relates to the settlement of debt owing to the Company’s CEO. During the first quarter of 2020, $400,000 of unpaid bonuses owing to the CEO was settled with 865,849 Common Shares and 188,571 stock options. The stock options are exercisable at $0.70 per Common Share until November 6, 2021. The aggregate fair value of the Common Shares and stock options at the date of settlement was determined to be $567,716. The difference from the bonus payable of $400,000, being $167,716 was recognized as a loss on settlement of debt.

The change in derivative liability relates to share purchase warrants of which the number of shares issued upon exercise are not fixed and do not meet the criteria for equity classification. The significant decreases in the value of the liability during the three and twelve months ended December 31, 2020 are mainly attributed to the expiration of approximately 66% of the warrants in December 2020.

Total Assets

Total assets as at December 31, 2020 increased by 40% from total assets as at December 31, 2019 due primarily to a higher cash balance, accrued success fee revenue of $426,000 related to 2020 participant starts and to a new deferred asset of $232,089 related to the financing costs incurred on the new operating facility. The deferred cost is accreted over the term of the facility. The primary source of the excess cash balance at December 31, 2020 was from a $7.5 million private placement offering closed on October 29, 2020 (See “Financing”).

Total Liabilities

Total liabilities as at December 31, 2020 decreased substantially from total liabilities as at December 31, 2019 due to the conversion and settlement of the convertible debentures and retractable preferred shares to common shares (See “Financing”).

Summary of Quarterly Results

The table below sets forth selected financial data for the most recent eight quarters ended December 31, 2020:

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.

(In thousands, except loss per share)

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

Liquidity and Capital Resources

The table below sets forth the cash flows for the three month and years ended December 31, 2020 and 2019:

	Twelve Months Ended December 31,			
	2020	2019	Change	
	$	$	$	%
Cash from (used) in				
Operating activities	(4,785,176)	(5,531,644)	746,468	(13%)
Investing activities	(92,783)	(163,389)	70,606	(43%)
Financing activities	7,165,301	6,652,816	512,485	8%
Increase (decrease) in cash	2,287,342	957,783	1,329,559	139%

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

Cash

The cash used in operating activities during the year ended December 31, 2020 decreased by 13% as compared to cash used in operating activities during the year ended December 31, 2019. The decrease is attributed to the stronger revenues and the improved collection of customer receivables.

Cash used in investing activities relate primarily to purchases of IT and office equipment. Capital asset purchases during the year ended December 31, 2020 decreased by 43% as compared to the same period in the previous year. The Company incurred purchases of computer equipment and accessories in the third quarter of 2019 for additional headcount.

The cash inflow from financing activities during the year ended December 31, 2019 relates to the closing of the first and second tranches of the Special Warrants offering less lease payments on the right-of-use asset lease obligation. Financing activities during the year ended December 31, 2020 consist of proceeds from a private placement offering of common shares and warrants, the exercise of common share purchase warrants and lease payments on the right-of-use obligation.

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) twelve 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 September 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 2020, the Company further extended the expiry dates of certain Unit Warrants included in the Convertible Debentures from May 6, 2022 to May 6, 2023.

In July 2020, the Company extended the expiry date of the 7,211,411 share purchase warrants issued on the conversion of the Special Warrants to September 3, 2022.

On August 11, 2020, the Company secured a $500,000 promissory note payable on demand bearing interest at 12% per annum calculated daily and compounded semi-annually.

On October 29, 2020, the Company closed a private placement offering 7,900,000 units (the "Units") at a price of $0.95 per Unit for aggregate gross proceeds of $7,505,000 (the "Offering"). Each Unit consists of one common share in the capital of the Company (each a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable to acquire one Common Share for a period of 24 months following the closing of the Offering at an exercise price of $1.30 per share. In connection with the Offering, the agents of the Offering received a cash fee equal to 7% of the gross proceeds of the Offering and 553,000 compensation options (the "Compensation Options") representing 7% of the Units sold, each entitling the holder to acquire one Common Share at the Offering price of $0.95 per Common Share for a period to October 29, 2022.

The Company received net proceeds of $6,748,969 after deducting agent commissions paid in cash of $525,350 and cash closing costs of $230,681. The net proceeds and the deduction of the Compensation Options are allocated to Common Shares and Warrants on a pro-rata basis relative to their fair values. Each Warrant and Compensation Option was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.16%, expected volatility of 83.76 and expected life of 2 years. The net proceeds are allocated between Common Shares and Warrants at $5,696,835 and $1,052,134, respectively. The fair value of the Compensation Options of $241,827 is allocated to Common Shares and Warrants at $204,127 and $37,700, respectively.

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

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

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

Issued and Outstanding Share Capital

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

The holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per common share at meetings of the shareholders and, upon liquidation, to share equally in such assets of Newtopia as are distributable to the holders of Common Shares. All Common Shares issued are fully paid and non-assessable.

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 18,114,870, representing approximately 20% of the aggregate of issued and outstanding Common Shares on the date the Company's Common Shares were listed for trading on the TSX Venture Exchange. As of the date of this MD&A, there are 10,061,685 stock options outstanding under the Company's stock option plan.

As of the date of this MD&A, there are outstanding 15,386,331 share purchase warrants to purchase up to 15,386,331 Common Shares and 2,035,441 compensation options to purchase up to 2,035,441 Common Shares.

Significant Accounting Policies and Estimates

The Company's significant accounting policies and accounting estimates under IFRS are contained in the audited financial statements for the years ended December 31, 2020 and 2019, together with the notes thereto. Certain of these policies involve critical accounting estimates as they require the Company to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Actual results may differ from estimates under different assumptions and conditions. Significant judgments include income taxes and significant estimates include fair value measurements and the valuation process.

New Standards Adopted During The Year

During the year ended December 31, 2020, the Company adopted the following amendments to IFRS Standards and Interpretations:

<u>COVID-19-Related Rent Concessions (Amendments to IFRS 16)</u>

In May 2020, the IASB published COVID-19-Related Rent Concessions, which amends IFRS 16, Leases, to provide lessees with a practical expedient that relieves lessees from assessing whether a COVID-19-related rent concession is a lease modification. COVID 19 Related Rent Concessions qualify for the practical expedient if there was a decrease in lease consideration, reduction of lease payments that affected payments originally due on or before June 30, 2021, and there were no other substantive changes to other terms and conditions of the lease.

The adoption of the Amendments to IFRS 16 had no impact on the Company's financial statements.

<u>Amendments to IFRS 3 Definition of a business (Amendments to IFRS 3)</u>

The amendments to IFRS 3 clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The adoption of the Amendments to IFRS 3 had no impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8 Definition of material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to make it easier to understand. The definition of material in IAS 8 has been replaced by a definition of material in IAS 1. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The adoption of the Amendments to IAS1 and IAS 8 had no impact on the Company's financial statements.

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 three and twelve months ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
	$	$
Salaries, fees and short-term benefits	**2,599,515**	1,531,947
Share-based benefits	**583,529**	1,369,571
	3,183,044	2,901,518

On March 2, 2020, the Company and the CEO of the Company agreed to settle $400,000 of unpaid bonuses related to years prior to 2019 with 865,849 common shares and 188,571 stock options. The stock options are exercisable at $0.70 per common share until November 6, 2021.

On November 16, 2020, the Company issued 348,028 stock options to the directors of the Company as settlement of unpaid 2020 directors fees of $160,000. Each option vests quarterly over one year and is exercisable at a price of $0.85 per common share at any time up to November 16, 2025. The fair value of the stock options of $178,956 was determined using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.29%, expected life of 5 years and expected volatility of 73.99%. The unpaid fees are reduced by the amortization of the fair value of the stock options over the vesting period. During the year ended December 31, 2020, the 2020 directors fees liability was reduced by $45,898 and as at December 31, 2020, the remaining balance owing was $114,102.

As at December 31, 2020, aggregate bonuses payable to members of the executive team, including $300,000 to the CEO for years prior to 2020, was $774,850 (December 31, 2019 - $1,000,000).

Financial Risk Management

Credit risk

Credit risk is the risk of financial loss to the Company that arises from the possibility that the Company’s customers may experience financial difficulty and be unable to fulfil their contract commitments. The Company mitigates the risk of credit loss by entering into contracts with large and established customers and by placing its cash with major financial institutions.

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which its customers operate. A customer is considered to be at default when they are unable to fullfil their contractual commitments and make the required payments on their debt obligations. Given the customer base is comprised of large established corporations, customer balances are also considered to be in default when they are more than 90 days past due. The gross carrying amount of a trade receivable is written off when the Company has no reasonable expectations of recovering the balance in its entirety or a portion thereof. The Company makes an assessment on a customer-by-customer basis with respect to the timing and amount of write-off based on the specific circumstances of the customer and determines the amount to write-off based on whether there is a reasonable expectation of recovery.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness. The majority of the Company’s current customers are large established corporations with high credit quality consisting primarily of U.S. healthcare insurance payors or self-insured employers. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 1-2 months. When determining whether there is an increase in credit risk of any of its trade receivables, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information, that includes forward-looking information. At December 31, 2020 and 2019, none of these customer’s balances have been written off or are credit impaired at the reporting date. There has been no change to the Company's policies and processes with respect to the way it manages credit risk.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

At December 31, 2020 and 2019, the exposure to credit risk for trade receivables and contract assets was limited to the United States. At December 31, 2020, two customers whose trade receivables exceeded 10% of the total trade and other receivables balance represented 89% (December 31, 2019 – 92%) of the Company’s trade and other receivables.

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.

As at December 31, 2020 and 2019, the following items were denominated in foreign currency:

	2020	2019
	$	$
Balances denominated in U.S. Dollars		
Cash	**837,943**	1,376,103
Trade and other receivables	**750,632**	878,252
Trade and other payables	**230,174**	269,154

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, on the translation of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2020 and 2019.

	Change in U.S. rate	Effect on loss before tax
	$	$
2020	10%	174,000
	-10%	(174,000)
2019	10%	255,795
	-10%	(255,795)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

The following are the contractual maturities of the financial liabilities as at December 31, 2020:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	2,765,583	2,765,583	-	-	-
Lease obligations	883,090	215,532	667,558	-	-
Derivative liability	47,508	47,508	-	-	-
	3,696,181	3,028,623	667,558	-	-

The following are the contractual maturities of the financial liabilities as at December 31, 2019:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	2,254,894	2,254,894	-	-	-
Lease obligations	1,039,430	156,340	883,090	-	-
Convertible debentures	3,993,758	3,993,758	-	-	-
Convertible debentures derivative liabilities	1,952,638	1,952,638	-	-	-
Retractable preferred shares	7,420,265	7,420,265	-	-	-
Derivative liability	178,670	178,670	-	-	-
	16,839,655	15,956,565	883,090	-	-

Risks and Uncertainties

The achievement of Newtopia's objectives, is in part, dependent on the successful mitigation of the business risks identified below. They are affected by various factors including general economic and market conditions, equity and credit markets, fluctuations in interest costs, competition, credit worthiness of customers and various other factors.

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 the Company's current business and future prospects difficult to evaluate.

The Company has 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 its limited resources, market adoption of the Company's 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 its services, unforeseen expenses and challenges in forecasting accuracy. If the Company's assumptions regarding these and other similar risks and uncertainties, which the Company uses to plan its business, are incorrect or change as the Company gains more experience operating its business or due to changes in its industry, or if Newtopia does not address these challenges successfully, its operating and financial results could differ materially from expectations and its 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 immature and volatile, and if it does not develop or if it develops more slowly than the Company expects, or if it does not achieve expected levels of engagement and outcomes, the growth of business will be harmed. 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. The Company's success will depend to a substantial extent on the willingness of employers and insurers to internally promote Newtopia's service offering and its ability to drive engagement and outcomes. If employer or insurer customers and participants do not perceive the benefits of the Company's offering or its offering does not drive engagement and outcomes, then disease prevention market might not develop at all, or it might develop more slowly than the Company expects, either of which could significantly adversely affect the Company's operating results. In addition, the Company has limited insight into trends that might develop and affect its business. The Company might make errors in predicting and reacting to relevant business, legal and regulatory trends, which could harm its business. If any of these events occur, it could materially adversely affect the Company's 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 the industry, such as the emergence of new technologies as more competitors enter the market, could result in Newtoip's solution being less desirable or relevant. For example, the Company currently derive substantially all of its revenue from sales to customers that are self-insured employers. The demand for Newtopi's 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 Company's business and operating results. Furthermore, such trends and Newtopia's business could be affected by changes in health care spending resulting from the *Patient Protection and Affordable Care Act*. There is no guarantee that the Company would be able to compensate for the loss in revenue from employers by increasing sales of its solution to health insurance companies or to individuals or government agencies. In such a case, the Company's results of operations would be adversely affected. If healthcare benefits trends shift or entirely new technologies are developed that replace existing solutions, Newtopia's existing or future solutions could be rendered obsolete and its business could be adversely affected.

Competition

Newtopia's 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 Newtopia's platform, which would significantly reduce its market appeal.

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

Some of the Company's competitors may have greater name and brand recognition, longer operating histories, significantly greater resources and may be able to offer similar programs at more attractive prices. Further, current or potential customers may be acquired by third parties with greater available resources. As a result, Newtopia's competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or client requirements and may have the ability to initiate or withstand substantial price competition. In addition, Newtopia's 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, which could put the Company at a competitive disadvantage. Newtopia's competitors could also be better positioned to serve certain segments of the Company's market, which could create additional price pressure. In light of these factors, even if Newtopia's platform is more effective than those of its competitors, current or potential clients may accept competitive solutions in lieu of purchasing Newtopia's solution. If the Company is unable to successfully compete, its 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 and the contract with the Company's largest customer contains a termination for convenience feature allowing the customer to terminate on 30 days' notice. 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.

During the year ended December 31, 2020, the Company derived 84% of its services and product revenues from a single direct customer.

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 its operations. If the number of employees covered by one or more of its customer's health plan programs were to be reduced, this decrease would also lead to a decrease in the Company's revenue. In addition, the growth forecasts of Newtopia's customers are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate and their enrollment in Newtopia's platform could fail to grow at anticipated rates, if at all, which could have an adverse effect on its business, financial condition or results of operations.

In addition, the Company's ability to achieve significant growth in revenue in the future will depend, in large part, upon its ability to attract new employer and insurer customers. If the Company fails to attract new customers and fails to maintain and expand new customer relationships, its revenue may grow more slowly than expected and business may be adversely affected.

Customer Rollout

The rollout of Newtopia's platform can vary widely by customer and is typically phased out over time across the enterprise. Its employer customers have the ability to alter the size and timing of phased rollouts to at-risk employees which affects the timing of the Company's revenue and makes revenue difficult to forecast. In addition, if the Company's customers do not allocate the internal resources necessary for a successful rollout for their employees, or the rollout date is delayed, the Company could incur significant costs, the customer enrollment rate may decline and/or customers could become dissatisfied and decide not to increase utilization of Newtopia's 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 monitor 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 the Company believes that is 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 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 Newtopia's platform could subject it to liability for errors in, misunderstandings of, providing genetic counseling, or inappropriate reliance on, information it provides to participants, and lead to claims against the Company. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for the Company to defend. Although the Company maintains liability insurance, including for errors and omissions, there is no assurance that the Company's insurance would fully protect 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 the Company, with or without merit, could increase the Company's insurance rates or prevent it from securing insurance coverage in the future. Additionally, any liability lawsuit could cause injury to Newtopia's reputation. The occurrence of any of these events could adversely affect the Company's business, reputation and results of operations.

Ethical, legal and social concerns related to the use of genetic information could impact Newtopia's 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 the Company's 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 the Company's belief that its 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, it 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. The Company is not currently bound by ERISA standards, but should it become bound, violating these standards can have serious and costly consequences that could adversely affect the Company’s 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, the Company 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 the Company become subject to the FDA and fail to comply with these new regulatory requirements, a number of sanctions could be imposed that could adversely affect the Company’s business, financial condition or results of operation.

Employee Misconduct

The Company’s employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause significant liability and harm to Newtopia’s reputation. The Company is exposed to the risk of employee fraud or other misconduct, including intentional failure to comply with laws and regulations. The Company has a Code for its directors, officers and employees, but it is not always possible to identify and deter employee misconduct, and the precautions it takes to detect and prevent this activity may not be effective in controlling risks or losses or in protecting 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 the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on business and results of operations, including the imposition of significant fines or other sanctions.

Reliance on Suppliers

The Company relies on a number of suppliers, or, in some cases, sole suppliers for genetic testing and physician prescription services for genetic testing. While the Company does have service agreements in place with these suppliers, they could cease to provide such services and as a result, limit the Company’s ability to fulfill its 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 Newtopia’s business, financial condition, results of operations and reputation.

The Company relies on genetic testing lab to maintain compliance with applicable laws and regulations, including maintenance of required licensing and certificates. Newtopia’s 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 Newtopia's 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 the Company's business and expose it to liability, which could adversely affect Newtopia's business and reputation.

In the ordinary course of business, the Company collects, uses and stores sensitive data, including legally protected health information, genetic data, personally identifiable information, intellectual property and proprietary business information. The Company manages and maintains its 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. The Company faces a number of risks relative to protecting this critical information, including loss of access risk, inappropriate disclosure, inappropriate modification, and the risk of being unable to adequately monitor and modify controls over such critical information.

The secure processing, storage, maintenance and transmission of this critical information are vital to the Company's operations and business strategy, and it devotes significant resources to protecting such information. Although the Company takes measures to protect sensitive information from unauthorized access or disclosure, Newtopia's 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 the Company's 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 Newtopia's use and disclosure of personal health insurance ("**PHI**") and requires it to implement administrative, physical and technical safeguards to ensure the confidentiality, integrity and availability of PHI, as well as notify the Company's covered entity customers of breaches of unsecured PHI and security incidents. The Company acts as a HIPAA "business associate" to its covered entity customers because it collects, uses and maintains PHI in order to provide services to these customers. HIPAA requires the Company to enter into satisfactory written business associate agreements with its covered entity customers, which contain specified written assurances that the Company will safeguard PHI that it creates or accesses and will fulfill other material obligations. Under the Omnibus Final Rule, whose primary purpose is to implement HITECH Act mandates, the Company may be held directly liable under its business associate agreements and HIPAA for any violations of HIPAA. Therefore, the Company could face liability to its customers under its contracts with them as well as liability to the government under HIPAA if the Company does not comply with its business associate obligations and those provisions of HIPAA that are applicable to us. While the Company takes measures to comply with applicable laws and regulations as well as its 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 the Company by government entities, private parties, consumer advocacy groups or others, or could cause the Company to lose clients, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company could be exposed to risk of a data breach affecting any of its subcontractors. The penalties for a violation of HIPAA are significant and, if imposed, could have a material adverse effect on the Company's 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 the Company's practices. If so, this could result in government-imposed fines or orders requiring that the Company change its practices, which could adversely affect its business. Complying with these various laws could cause us to incur substantial costs or require the Company to change its business practices and compliance procedures in a manner adverse to the Company's 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 the Company's 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 its 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

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

Participant Support

In implementing and using the Company's platform, its participants depend on support to resolve issues in a timely manner. The Company 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 the Company's results of operations and financial condition. The Company's sales are highly dependent on its reputation and on positive recommendations from its existing participants and clients. Any failure to maintain high-quality participant support, or a market perception that the Company does not maintain high-quality participant support, could adversely affect Newtopia's 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, it may be unable to continue to attract or retain the personnel needed to maintain its competitive position. In addition to hiring new employees, the Company must continue to focus on retaining its best talent. The Company may need to invest significant resources on new and existing employees and may never realize returns on these investments. If the Company is not able to effectively increase and retain talent, its ability to achieve its strategic objectives will be adversely impacted, and Newtopia's business will be harmed.

Possible Acquisitions

As part of its business strategy, the Company may pursue acquisitions of complementary businesses or assets, form joint ventures or make investments in other companies or technologies that could harm its operating results, dilute stockholders' ownership, or cause it to incur debt or significant expense. The Company also may pursue strategic alliances to expand its offerings or distribution or make investments in other companies. As an organization, Newtopia has limited experience with respect to acquisitions as well as the formation of strategic alliances and joint ventures. If the Company makes any acquisitions in the future, it may not be able to integrate these acquisitions successfully into its existing business, and the Company could assume unknown or contingent liabilities. Any future acquisitions by the Company also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm its operating results. Integration of an acquired company or business also may require management resources that otherwise would be available for ongoing development of the Company's existing business. The Company may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and the Company may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment. To finance any acquisitions or investments, the Company may choose to raise additional funds. If the Company raises funds by issuing equity securities, dilution to its stockholders could result. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of the Company's Common Shares. If the Company raises funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of its Common Shares. The terms of debt securities issued or borrowings could impose significant restrictions on the Company's operations. If the Company raises funds through collaborations and licensing arrangements, it might be required to relinquish significant rights to its technologies or products or grant licenses on terms that are not favourable to the Company. It may be necessary for the Company to raise additional funds for these activities through public or private financings. Additional funds may not be available on terms that are favourable, 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 the Company's belief that its platform does not constitute the practice of medicine or subject it to professional malpractice claims. Nonetheless, such claims relating to the services the Company provides 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 the Company is compelled to spend significant time and money protecting or enforcing its intellectual property, its business and financial prospects may be harmed. If the Company is unable to effectively protect the intellectual property it owns, other companies may be able to offer the same or similar services, which could materially adversely affect its competitive business position and business prospects. The Company's patent may be challenged, narrowed, invalidated or circumvented, which could limit its ability to stop competitors from marketing the same or similar services. Even if the Company's patent is unchallenged, it may not adequately protect its intellectual property, provide exclusivity for its services or prevent others from designing around its claims. Any of these outcomes could impair the Company's ability to prevent competition from third parties, which may have an adverse impact on Newtopia's business.

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.

Technical Problems

The Company may encounter technical obstacles, and it is possible that it discovers additional problems or design defects that prevent its platform from operating properly. If the platform is not performed properly and reliably, malfunctions or fails to achieve customer expectations in terms of performance, customers could assert liability claims against the Company or attempt to cancel their contracts. This could damage Newtopia's reputation and impair ability to attract or maintain customers.

Any real or perceived errors, failures, bugs or other vulnerabilities discovered in the Company's products could result in negative publicity and damage to its reputation, loss of clients, loss of participants, loss or delay in market acceptance of its platform, loss of competitive position, loss of revenue or liability for damages, overpayments and/or underpayments, any of which could harm enrollment rates. Similarly, any real or perceived errors, failures, design flaws or defects in the Company's products could have similar negative results. In such an event, the Company 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 the Company is successful at remediating issues, it may experience damage to its 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 the Company's customers' and its ability to accurately forecast and plan future business activities. In addition, these conditions could cause the Company's customers or prospective customers to decrease headcount, benefits or human resources budgets, which could decrease corporate spending on its services, resulting in delayed and lengthened sales cycles, a decrease in new customer acquisition and loss of existing customers. Furthermore, during challenging economic times, the Company's 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 the Company's revenue. If that were to occur, the Company's financial results could be harmed. Further, challenging economic conditions might impair the ability of the Company's customers to pay for the services they have already purchased from the Company and, as a result, the Company's write-offs of accounts receivable could increase. The Company cannot predict the timing, strength, or duration of any potential economic slowdown or recovery and such a slowdown could cause its business to be harmed.

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. The Company may be affected by seasonal trends in the future, particularly as its business matures. To the extent the Company experiences this seasonality, it may cause fluctuations in its operating results and financial metrics and make forecasting 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 its 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 the Company 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.

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.

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, 2020, 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 the Company's website at www.newtopia.com and under the Company's profile on SEDAR at www.sedar.com.

APPROVAL

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