

**POND TECHNOLOGIES HOLDINGS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2024**



**Dated May 30, 2024**

## **Introduction**

The following Management's Discussion and Analysis ("**MD&A**") of Pond Technologies Holdings Inc. ("**Pond**" or the "**Company**") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("**Annual MD&A**") for the fiscal year ended December 31, 2023. This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended December 31, 2023 and 2022 and the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024, together with the notes thereto. Results are reported in Canadian dollars in thousands, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at, May 30, 2024 unless otherwise indicated.

The unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024, have been prepared using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, 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 Pond's common shares; or (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 of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Pond's website at [www.Pondtech.com](http://www.Pondtech.com) or on the System for Electronic Documents Analysis and Retrieval (SEDAR) at [www.sedarplus.com](http://www.sedarplus.com).

### **Caution Regarding Forward-looking Statements**

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

Similarly, statements contained in, but not limited to, the sections titled “Corporate Highlights”, “Outlook and Strategy”, and “Liquidity and Capital Resources” of this MD&A, including those with respect to the implementation of the Company’s business strategy, the development of the nutraceutical algae production, the development of the biotechnology and technology services business and expectations concerning the Company’s financial condition, results of operations, business, assets, prices, foreign exchange rates, earnings, market conditions, capital expenditures, risks, availability of regulatory approvals, corporate objectives and plans or goals, are or may be forward-looking statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements.

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

### **Description of Business and Divisions**

The Company is commercializing its patent protected algae growing platform, which converts carbon dioxide (CO<sub>2</sub>) into algal-based commercial products. Its algae growing platform converts the CO<sub>2</sub> found in the untreated and treated stack gas of industrial emitters into animal feed, human dietary supplements, nutraceuticals, and natural fertilizers. The key to the business model is the vertical integration from the initial capturing of the carbon dioxide to the growing of algae, to the end sustainable product. In over ten+ years of R&D, Pond has developed a robust disruptive technology platform based on its integrated and automated control system, proprietary LED-lights, and patented CO<sub>2</sub>-management. Pond has begun to license its technology to third parties for ongoing license fees and royalties as well as selling its proprietary equipment. Pond has segregated the Pond Carbon division to focus on absorbing greenhouse gas emissions, transforming these into human food, animal feed, dietary supplements and nutraceutical ingredients.

The Company also has nutraceutical and biotech business segments and is actively pursuing opportunities in the nutraceutical superfood marketplace, and the production of complex proteins used in therapeutic treatments. In addition, the Company is also working to extend its technology applications into related verticals, including land remediation, aquaculture and animal feeds, and high-value natural food colours in an effort to commercialize the adoption of its integrated proprietary algae growth platform.

### **Corporate Highlights**

Financial and operating highlights for the three months ended March 31, 2024:

1. Revenue of \$488 (Q1 2023: \$1,367) a decrease of \$879 (64%) for the quarter ended March 31 2024 as compared to the prior year. The change is due to the expiry of a long-term supplier contract in the Pond Naturals division and a resulting revenue decrease. With new suppliers being added we expect to regain lost revenue in 2024.
2. Expenses decreased by \$926 for the quarter ended March 31, 2024 \$1,162 (Q1 2023: \$2,088). \$684 of the decrease related to direct costs of sale as revenue decrease, with the balance of \$195 relating primarily to lower operating and general and administrative expenses.
3. Q1 2024 net loss of \$856 was very similar to Q1 in 2023: \$857.

### **Financial and Corporate**

- The unaudited interim consolidated financial statements have been prepared on a going concern basis under the historical cost method.
- On March 31, 2024, the Company had cash balances of \$123 (Dec. 31, 2023: \$84). On March 31, 2024, the Company had receivable balances of \$155 (Dec. 31, 2023: \$830).
- Pond's working capital balance as at March 31, 2024 was a \$7,961 deficit, of which \$2,864 related to the Company receipt of short-term advances from Colmac Holdings Inc. ("Colmac") which are to be repaid in full from the proceeds of the \$8,000 Convertible Debenture private placement. The funds from the convertible Debenture offering will be required to meet working capital, capital commitments and debt servicing needs.

### **Outlook and Strategy**

Pond is a publicly traded ESG company which is able to provide proprietary carbon-to-microalgae technology to address the global sustainability challenges of climate change, sustainable food production and the production of complex proteins used in therapeutic treatments.

Pond is recognized as a world leader in the development of its proprietary world class technology and related systems to optimize algae growth in controlled and scalable environments.

Pond believes that the multi-billion-dollar sustainable animal feed and functional food protein markets, the production of complex proteins used in therapeutic treatments and nutraceutical markets are all ready for an algae-based revolution. These industries have been researching the uses of algae for decades, but few technologies can scale production. A scalable algae production technology would enable these industries to be more profitable and more sustainable, resulting in a paradigm shift similar to the transformational

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changes that we see in renewable energies today. Pond believes it provides the disruptive, scalable platform technology that has held the industry back to-date. Pond's aim is to become the largest supplier of algae-growing technology in the world.

*Adoption of Pond's Technology* - The Company's research and development work has positioned the Company to be able to deploy its technology on a commercial basis once further adoption of the technology by industry is achieved. Pond is in discussions with industrial stack emitters and commercial feed and ingredient producers and processors to adopt its technology to grow microalgae. If successful, this would result in the sale and adoption of commercial size Pond bioreactors and related technology. Pond will have working capital requirements arising from the commercial sale of its technology and the amount of working capital required will depend on the type and terms of any contract agreed to with a customer.

*Proprietary Technology* - Pond's algae growth platform, based upon enclosed, controlled, and monitored photobioreactors, may provide a significant competitive advantage, and allow the Company to compete effectively on quality, consistency of supply, and price. Pond's strategy is to demonstrate its technological advantage, with its lighting, illumination, and sensor system control technology, as well as its working knowhow. Pond continues to approach ESG solution seeking businesses with a view toward adopting and licensing its technology.

### **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 financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

### **Overview of Financial Results**

#### **Discussion of Operations**

#### **Profit and loss for the three months ended March 31, 2024**

For the three months ended March 31, 2024, Pond recorded a net loss from operations of \$856, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$857 for the three months ended March 31, 2023.

#### **Assets and liabilities as at March 31, 2024; Dec. 31, 2023; and, Dec 31 2022**

The following is selected financial data of the Company as at March 31, 2024, December 31, 2023, and December 31, 2022:

	<b>As at March 31, 2024</b>	<b>As at Dec. 31, 2023</b>	<b>As at Dec. 31, 2022</b>
Total current assets	\$ 643	\$1,310	\$1,213
Total non-current assets	\$2,613	\$2,700	\$3,458
Total assets	\$3,256	\$4,010	\$4,671

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Total current liabilities	\$8,604	\$8,416	\$5,022
Total non-current liabilities	\$ 265	\$ 369	\$1,912
Total liabilities	\$8,869	\$8,785	\$6,934
<b>Total shareholders' (deficit)</b>	<b>(\$5,613)</b>	<b>(\$4,775)</b>	<b>(\$2,236)</b>

### **Liquidity and Capital Resources**

The Company had cash balances from continued operations of \$123 as at March 31, 2024 (December 31, 2023 - \$84). The increase in cash during the three months ended March 31, 2024 was \$39. This was a result of net cash used in operations of \$485, cash outflows of \$Nil in investing activities and \$524 net cash inflow on financing activities.

Pond had a working capital deficit on March 31, 2024 of \$7,961 (Dec. 31, 2023: deficit \$7,106). The closing of the three-year \$8,000 convertible debenture financing (see subsequent events note) will substantially change the working capital from a deficit to surplus position

See "Risk Factors" below

### **Subsequent Event**

#### *Convertible Debentures Financing*

On November 3, 2023, the Company announced it was in receipt of subscriptions to complete a private placement of Convertible Debentures totaling \$8,000 which bear interest at 12% per annum, are convertible into Common Shares of Pond at the option of the holders thereof at any time at a conversion price of \$0.20 per share (the "Conversion Price"), and mature three (3) years from the date of issuance. In the event that, following closing, the daily volume weighted average trading price (or closing bid price on days when there are no trades) of the Common Shares on the TSX Venture Exchange exceeds \$0.40 per Common Share for 20 consecutive trading days (the "Triggering Event"), the Convertible Debentures shall be automatically converted into Common Shares on the effective date of the Triggering Event at the Conversion Price.

The closing of the Convertible Debentures private placement is expected to occur in June 2024 and is to be secured against all of Pond Technologies Inc.'s present and after-acquired personal property, including all technology, patents, copyrights, inventions and other intellectual property.

The net proceeds of the Convertible Debenture private placement are to be used for the repayment of the Short-Term Advances \$2,865 which include the of settlement the Crystal Wealth loan on October 30, 2023 and for growth working capital and general corporate purposes.

#### *Settlement of Restricted Share Units*

On May 30, 2024 the Board of Directors of Pond approved the issuance of 1,446,350 common shares in the capital of the Corporation. This share issuance is a result of a number of Restricted Share Units ("RSU") Awardees holding fully vested RSUs, requesting to settle their RSUs into common shares of the Corporation and pursuant to the Corporation's Equity Incentive Plan.

## **Critical Accounting Judgements, Estimates and Assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates and assumptions seldom equal actual results and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and to the amounts of revenues and expenses presented in these financial statements. The areas which require management to make significant judgments, estimates and assumptions are discussed below:

### **Consolidation**

The unaudited consolidated financial statements include the accounts of Pond Technologies Holdings Inc. and its subsidiaries (collectively "the Group"). Subsidiaries are entities controlled directly or indirectly by Pond. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All are 100% owned by Pond and in each case the management has deemed that Pond has control over these and all other subsidiaries on the measures set out above.

### **Contract receivables**

The valuation of contract receivables including the determination of the amount of expected credit losses that is updated at each reporting date to reflect changes in credit risk and recoverability since initial recognition is a significant estimate.

### **Impairment of intangibles and capital assets**

The Company's estimate of a cash generating unit ("CGUs") or group of CGUs' recoverable amount is based on the greater of either the value in use or fair value less costs of disposal. Assessing value in use involves estimating future cash flows before taxes. Future cash flows are estimated based on multi-year extrapolation of the most recent historical actual results or budgets and a terminal value calculated by discounting the final year in perpetuity. The future cash flow estimates are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business.

### **Stock-based compensation**

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of a common share, and the risk-free interest rate.

### **New Standard Adopted**

Effective January 1, 2023, the Company adopted the amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* with respect to the new definition of "accounting estimates". The amendments clarify how measurement techniques and inputs are used to develop accounting estimates,

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and clarifies the distinction between changes in accounting policies, correction of prior period errors, and when changes are made to accounting estimates, including the facts and circumstances that are considered. The definition of a change in accounting estimates was deleted. The adoption of the amendments did not result in any impact to the Company's unaudited condensed interim consolidated financial statements.

### **New Standards Not Yet Adopted**

The standards, amendments, and interpretations that the Company expects may be applicable at a future date and, if so, intends to adopt when they become effective. Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### **Related Party Transactions**

The Company enters into related transactions with management and agreements with its shareholders. Details of these transactions for the three months ended March 31, 2024 and 2023 and balances as at December 31, 2024 and 2023 are as follows:

	2024	2023
<b><i>Transactions three months ended March 31:</i></b>		
Debenture effective interest - GV	\$ 80	\$ 60
Loan interest to shareholders - Colmac (Note 9)	83	-
<b><i>Balances, March 31, 2024 &amp; December 31, 2023:</i></b>		
Convertible debenture - GV (Note 10)	1,808	1,791
Short-term advances (Note 9)	2,800	2,225
Director fees payable	85	80
Accounts payable and accrued liabilities	\$ 1,025	\$ 815

The loans payable and loan interest amounts relate to loan amounts advanced by St Marys Cement (Canada) Inc. who are shareholders of the Company. The convertible promissory note issued to GV and the short-term advances relate to an entity controlled by Pond's director Mr. Robert McLeese.

The accounts payable and accrued liabilities balance relates to unpaid compensation owed senior executive management of the Company who are shareholders of the Company and interest payable to on the short-term advances and GV convertible promissory note.

### **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2021, available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Additional Information**

Additional Information concerning the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile.