



Zonetail

ZONETAIL INC.

Management's Discussion and Analysis

Three months ended March 31, 2022

Introduction

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Zonetail Inc. ("Zonetail" or the "Company") has been prepared by management as of May 25, 2022 and was reviewed and approved by the Audit Committee, and is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), for the three months ended March 31, 2022 (collectively, the "Financial Statements"). The following discussion of performance, financial condition and prospects should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 and the MD&A for the year ended December 31, 2021. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated.

Further information about the Company and its operations can be obtained from the Company's website www.zonetail.com or on SEDAR at www.sedar.com.

Description of business

Zonetail is an emerging company focused on transforming the way high and mid-rise residents manage their homes by connecting people to products, amenities and services through a powerful mobile platform creating a distinct market and channel advantage. The Company is integrated with Yardi, North America's largest property management software company ("PMC") and Shiftsuite, a major condo property management software company in Canada.

The Zonetail platform is addressing the needs of the large and growing population of residents of multi-family residential buildings, planned communities, condominium communities, and housing cooperatives. Increasing population growth and urban densification continue to grow this segment which in 2020 was estimated to be 26% of all U.S. residents¹. This mobile and technology-savvy audience have proven to be active adopters of the Zonetail app as all key indicators, property management companies signing on, downloads and monthly active users, all continue to increase at a steady pace.

The Zonetail user base, and immediate addressable market also proves to be an attractive audience for businesses participating on the platform in Zonetail's unique marketplace called 'Explore', who wish to connect with this large, lucrative, and growing market of high-rise residents.

Currently, Zonetail is live in over 110,000 households and onboarding an additional 23,000, and as a direct result of the early success of the Yardi rollout, the Company is in various stages of negotiations with dozens more property management companies across Canada and the U.S. representing over 500,000 units.

Highlights

2021

- The Company completed its integration with Yardi and launched this new platform across North America, 'Zonetail Home' signifying a major milestone, where Yardi has the majority of the market share.
- In conjunction with the Yardi integration, the Company completed a new residential platform and APIs designed to seamlessly integrate with other property management systems.
- In November 2021, the Company introduced its "Explore" plug-in designed to provide the Zonetail 'Explore' marketplace local and national content to Yardi RENTCafé and CONDOCafé users.
- In the fall of 2021, the Company signed 3 property management companies to the Zonetail Home platform including Grubb Properties, which is using RENTCafé.

¹ <https://foundation.caionline.org/publications/factbook/statistical-review/>

- In November 2021, the Company signed an integration agreement with Thumbtack, a U.S. based "modern home management platform", bringing Thumbtacks thousands of service providers and contractors to our users. Zonetail will receive transactional revenue for each service booked.

2022

- By May 2022, the Zonetail Home app and Explore plug-in are live or in the process of rolling out in approximately **30,000** units.
- Zonetail is also partnered with Shiftsuite, a leading property management software provider to the condo industry in Canada. The app under the Shiftsuite label is 'live' and in revenue in over 100,000 households. It is expected that the current number of units and users will continue to grow.
- The Zonetail Home and Shiftsuite platforms, bring the portfolio of units to over 130,000 units.
- In early 2022, the Company introduced its new strategy, blueprint, and playbook, outlining the creation of a dynamic Market Network.
- In addition to Thumbtack mentioned above, the Company has reported the signing of a major US telecom company, Apollo insurance, Nerds on Site, Pineapple Express Delivery (cannabis delivery), Bellhop (moving services), and Getintheloop (a local advertising platform), all to be part of the Market Network.
- While the Company is currently focused upon the residential market, Zonetail is partnered with AAHOA, the largest association of hoteliers in the world, representing over 30,000 hotels and an estimated 65% of the US hotel market. This part of the platform is being redeveloped to meet the needs of the market for the future.

Business outlook

In early 2022, the Company unveiled its comprehensive new strategy, blueprint, and playbook with the creation of a Market Network that combines elements of network platforms with marketplaces and are producing a new class of unicorn companies, impacting how millions of service professionals will work and earn their living. Market networks are also unique from a monetization standpoint. They combine the strong network effects, defensibility, and scalability of direct networks (social media) together with the lucrative revenue models of SaaS or marketplace businesses. Further details of Zonetail's new strategy and the exciting evolution of its business plan can be found by downloading our new Corporate Presentation, here: <https://www.zonetail.com/wp-content/uploads/2018/09/Zonetail-Corporate-Deck-2022-02-28.pdf> as well as the company corporate update press release found here: <https://www.zonetail.com/2022/04/11/zonetail-provides-corporate-and-strategy-update/>

The Marketplace: A few Highlights

- Leading telecommunications providers: strategic partnerships with two leading telecom providers in Canada and the US enabling them to communicate directly to high-rise residents, offering a wide range of residential services, including cable tv bundles, WiFi, and home phone.
- Thumbtack: a modern home management platform that enables residents to book a variety of home services. Thumbtack is fully integrated with Zonetail establishing an immediate market network by offering a high-value service option of approximately 5,000 services, provided by hundreds of thousands of service providers across the United States.
- Bellhop: a tech-enabled moving company that Zonetail users can access from the app. It streamlines the cost estimation and booking experience for residents while assigning them to the best moving professionals for the job.
- Apollo Insurance: a leading online insurance provider that enables Zonetail's users to get a quote and purchase from the largest selection of online insurance in Canada.
- Nerd on Site: Partnering with Nerds, gives Zonetail users immediate access to one of the largest and most trusted IT solutions companies in North America. Through the Zonetail platforms, Nerds will have the ability to communicate directly to residents, offering a wide range of services and solutions to fit their needs – whether it's a computer operating system reinstall, a full data recovery project,

printer repair and service, wifi and network setup, smart home solutions to tv mounting and home theater setup and more. Zonetail will receive a transaction fee of 7.5% for all Nerds services booked through its mobile platforms.

- Pineapple Express Delivery and Fire and Flower: Through Zonetail's unique age-gated section, Fire & Flower cannabis stores is now a provider of cannabis to users of the platform and deliveries will be fulfilled through Pineapple Express to households across Canada and in the U.S. where it is legal to do so.
- The Company is currently in discussions with several other potential network partners across the U.S. and Canada in including major food delivery options, ride-sharing, restaurant and retail chains, media and streaming companies, banks, grocery chains, U.S. based insurance companies, among many others.

Yardi

On July 20, 2021, Zonetail announced the successful completion of the beta test integration with Yardi, laying the foundation to dramatically increase the number of condo and apartment buildings in the Company's portfolio.

- Yardi is the largest property management software provider in North America, with tens of thousands of buildings representing millions of residents.
- Zonetail's new residential platform, named, 'Zonetail Home' is now available for download in both the AppStore and GooglePlay.
- Zonetail has begun the rollout with Yardi property management corporations, launching with partnered PMCs in Canada and the U.S. On April 13th, the Company announced its U.S. launch across eight cities. The Company continues to add to its sizable half-a-million unit funnel and its in discussions with several other leading property management corporations across North America, including some of the largest, to onboard the Zonetail Home and/or the Zonetail Explore plug-in platform for their buildings and their residents.
- In the fall of 2021, Zonetail launched a platform to Yardi clients that utilize Yardi's premium platforms, RentCafe and CondoCafe.
- Yardi's RentCafe and CondoCafe include mobile platforms, so the full 'Zonetail Home' platform is not needed for these properties. However, CondoCafe and RentCafe do not have the marketplace component. Zonetail's new standalone web-based "Explore" marketplace can be added to these platforms. This is expected to increase Zonetail's user base as these Yardi platforms are already well established with active users.

Technology updates

The Company is working on new technology updates, features, integrations with strategic partners and more.

Three current integrations are also being implemented or explored, the first to include a feed for local area deals into the app across the Canadian market (GetintheLoop), and the second, is the integration efforts for Pineapple Express Delivery to streamline the ordering and delivery of medicinal and recreational cannabis products across North America in the areas where it is legal to do so.

Additionally, and at the request of some of our property management partners, as well as several paid marketplace clients, payment processing capability is being explored that has the potential to add a substantial new revenue stream.

Capital management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Commitments and contingencies

From time to time, the Company may be subject to legal proceedings and claims related to matters arising in the ordinary course of business. We do not believe the Company is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

See "dispute" above related to the Belgravia dispute.

Off-balance-sheet arrangements

As of the date of this MD&A, 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, and without limitation, such considerations as liquidity and capital resources.

Summary of quarterly results

For the eight most recent quarters:

	March 31 2022	December 31 2021	September 30 2021	June 30 2021
	\$	\$	\$	\$
Total revenue	5,344	4,200	10,730	10,570
Net loss for the period	(491,903)	(513,005)	(546,940)	(513,226)
Net loss per share (basic and diluted)	0.00	0.00	0.01	0.00
Total assets	765,461	1,251,251	1,831,269	1,884,486

	March 31 2021	December 31 2020	September 30 2020	June 30 2020
	\$	\$	\$	\$
Total revenue	15,386	20,700	4,200	4,200
Net loss for the period	(360,976)	(639,766)	(369,187)	(3,524)
Net loss per share (basic and diluted)	0.00	0.01	0.00	0.00
Total assets	742,878	243,652	605,705	249,573

Variations in net loss and comprehensive loss primarily result in changes to software development expense, professional fees, share based compensation, changes in salaries from 2021 to 2022 and general and administrative costs. During the quarter ended June 30, 2020, the Company wrote off \$158,921 of trade and other payables which had been over accrued in prior periods.

Discussion of operations

Sales for the three months ending March 31, 2022, was \$5,344 (\$15,386 for the three months ended March 31, 2021). The Company is in early stage revenue and is focused on growing its user base and user activity, consequently sales variable quarter to quarter.

The Company's net loss and comprehensive loss for the three months ended March 31, 2022 totalled \$491,903, compared to \$360,976 for the three months ended March 31, 2021. The decrease in net loss and comprehensive loss is the result of the following:

- Software development expense decreased by \$39,287, due to reduced activity.
- Professional fees decreased by \$8,899, due to lower legal costs.
- Salaries increased by \$47,369, as a result of hiring a Chief Technical Officer in 2022.
- Investor relations increased by 38,000.
- Advertising and promotion increased by \$50,000.
- Public company costs increased by \$13,514
- General and administrative decreased by \$5,587.

Liquidity and financial position

Cash used in operating activities was \$429,185 for the three months ended March 31, 2022 compared to cash used in operating activities of \$395,106 in the three months ended March 31, 2021.

As at March 31, 2022, Zonetail had \$659,033 in cash and \$75,412 in trade and other receivables (December 31, 2021 - \$1,088,207 and \$118,840).

Accounts payable and accrued liabilities were \$170,801 at March 31, 2022 (December 31, 2021 - \$225,341).

As of March 31, 2022, and to the date of this MD&A, the cash resources of Zonetail are held with Canadian chartered banks. Trade and other payables are short-term and non-interest-bearing.

The Company has an accumulated a deficit of \$12,235,508 as at March 31, 2021 (December 31, 2021 - \$11,745,643). The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain equity investment and borrowings sufficient to meet current and future obligations. The Company had a net loss and comprehensive loss for the three months ended March 31, 2022 of \$491,903 (three months ended March 31, 2021 - \$360,976). The Company has seen the exercise of 58,091,050 Warrants for gross proceeds of \$2,904,533 during the year ended December 31, 2021, providing additional working capital to the Company and fund the continued operations.

The Company currently believes it has current working capital and future income prospects to continue operations for the next 12 months.

Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of directors and key management personnel of the Company was as follows:

	For the three months ended March 31	
	2022	2021
	\$	\$
Salaries and benefits	93,154	85,295
Share based compensation	9,968	30,988

Due to related parties includes \$12,372 (December 31, 2021 - \$23,083) accrued for director's fees which have no terms of repayment and are unsecured.

Outstanding share capital

As at the date of this MD&A the following equity instruments are outstanding:

	Range of Exercise Prices	Number of shares issued or issuable
Common shares		193,838,134
Stock options	\$0.05 - \$0.18	16,410,000

Dispute

On June 27, 2019, Belgravia Hartford Capital Inc. ("Belgravia") brought a nuisance insolvency application against the Company. Belgravia took no further steps in this application. This application was dismissed with prejudice on August 17, 2020. On December 19, 2019, the Company served Belgravia with a statement of claim in the aggregate amount of \$6,173,000 and also seeking a declaration that the promissory note owed to Belgravia in the amount of \$325,000 is not due or owing. Zonetail has asserted a right of off-set based on its position that Belgravia has, among other things, breached the parties' management services agreements, for which Belgravia was paid by Zonetail. Zonetail has also claimed that Belgravia's wrongful bankruptcy application has caused substantial consequential damages to the Company. On September 28, 2020, Belgravia filed a statement of defense and counterclaim in the amount of \$2,500,000. The Company believes Belgravia's counterclaim to be frivolous. The statement of claim and counterclaim has proceeded to discoveries with a trial date expected sometime in 2023.

Risk factors

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it, in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com).

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 Factors" in the Company's MD&A for the fiscal year ended December 31, 2021.

Caution regarding forward-looking statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of (i) this MD&A; or (ii) as of the date specified in such statement. Actual results and developments

are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Disclosure of internal controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim consolidated financial statements, and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.