



**FOBI AI INC.**  
(Formerly Loop Insights Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED DECEMBER 31, 2021**

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**Dated March 01, 2022**  
**For the Period Ended December 31, 2021**

**INTRODUCTION**

The following Management Discussion and Analysis ("MD&A") of Fobi AI Inc. (the "Company" or "Fobi") has been prepared by Management in accordance with the requirements of National Instrument 51-102. The information contained in this MD&A is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this MD&A is not intended to be a comprehensive review of all matters and developments concerning the Company. Specific risks facing the Company are set out explicitly in Appendix 1 of this MD&A. In addition, certain statements in this report incorporate forward looking information and readers are advised to review the cautionary note regarding such statements in Appendix 2 of this MD&A.

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements as at December 31, 2021 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

**COMPANY OVERVIEW**

The Company was incorporated under the laws of the province of British Columbia, Canada, on January 2, 2018. On May 31, 2021, the Company changed its name from Loop Insights Inc. to Fobi AI Inc. The address of the Company's corporate office and principal place of business is Suite 2F – 541 Howe Street, Vancouver B.C., V6C 2C2. The Company's shares trade on TSX Venture Exchange under the symbol "FOBI" and on OTCQF under the symbol "FOBIF".

Based in Vancouver, Canada Fobi's vision is to be the leading provider of artificial data intelligence based real time data. Our applications enable operators to leverage, automate and monetize their data. Fobi's has architected and developed multiple proprietary IoT devices that seamlessly connect and enhance existing IT infrastructure enabling real time data connectivity and interoperability across online and on-premise platforms.

Globally Fobi is a leader in enabling and supporting a growing number of the world's most respected companies as they look to deliver mobile first, cashless and contactless solutions as a result of the global push towards digital transformation. Further, Fobi is focused on becoming a key provider in the mobile digital wallet pass sector with recent acquisitions of PassCreator and Passwallet companies in Europe.

**OVERALL PERFORMANCE**

Announcements and Highlights during the period:

On September 29, 2021, the Company announced that it had entered into a data consulting agreement with Kiaro Holdings Corp. to consult on the development of Kiaro's data warehouse and real-time data analytics strategy.

On October 7, 2021, the Company announced the execution of an agreement to acquire PassWallet, a leading app (by Google Play Store downloads) for managing and utilizing Wallet passes on Android phones.

On October 8, 2021, the Company announced the signing of a national Passcreator Wallet pass transaction with S4S, Iceland's largest shoe retailer.

On October 12, 2021, the Company announced the Company had entered into a Service Agreement with Empower Clinics Inc. to integrate Fobi's artificial Intelligence data applications and wallet pass platform into Empower's Kai Care COVID-19 Testing product.

On October 13, 2021, the Company announced the receipt of TSXV approval and completion, for the acquisition of Qples. In consideration for the acquisition of certain assets and certain specified liabilities of Qples, FOBI will pay to Qples the aggregate purchase price of US\$3,151,385 paid as follows: (i) US\$2,120 payable in cash; and (ii) the remainder of the Purchase Price will be satisfied by the issuance of 1,222,551 common shares of FOBI based on a five-day volume weighted average price equal to \$3.24 CAD. Qples also has the opportunity to earn up to a US\$1,000,000 earn out (the "Earn-Out").

On October 14, 2021, the Company announced a new relationship with REVELXP, which delivers a leading fan engagement solution to both the collegiate athletics and professional sports markets. It is envisaged that Fobi would receive an initial setup fee for each event, together with licensing revenue for each Wallet pass distributed to fans.

On November 5, 2021, the Company announced that it had entered into an Agreement with the University of Nevada Athletics to provide Fobi's CheckVax™ proof of vaccination. CheckVax™ will be utilized to improve the customer experience by speeding up entry and to keep fans, student-athletes, and staff safe at all Men's & Women's basketball games at Nevada for this coming season. Fobi will earn revenue on this deal through an initial setup fee and monthly Wallet pass license fees.

On November 8, 2021, the Company announced that it had completed its acquisition of the PassWallet application and related assets (the "Acquired Assets") from Quicket GmbH (the "Vendor"). In consideration for the Acquired Assets, Fobi paid an aggregate of €888,000 to the Vendor consisting of: (i) €355,200 paid in cash; (ii) 301,480 common shares of Fobi at a deemed price per Fobi Share of C\$2.63660 (€532,800) based on a 10-trading day volume weighted average price of the. Fobi Shares issued in connection with the transaction are subject to a restricted period of four months and one day from the date of issuance.

On November 15, 2021, the Company announced that it has entered into an Agreement to provide Fobi's Wallet pass based Venue Management solution for Sammy Hagar's sold-out shows at The STRAT Hotel, Casino & SkyPod in Las Vegas. Fobi anticipates generating revenue through an initial setup fee and ongoing Wallet pass license fees.

On November 10, 2021, the Company announced an agreement with the University of Nevada, Las Vegas (UNLV) to provide Fobi's CheckVax™ proof of vaccination solution. To be utilized to improve the customer experience by speeding up entry and to keep fans, student-athletes, and staff safe at basketball games at UNLV for the coming season.

Fobi anticipates earning revenue through an initial setup fee and monthly Wallet pass license fees.

On November 15, 2021, the Company announced an agreement to provide its Wallet pass based Venue Management solution for Sammy Hagar's shows at The STRAT Hotel, Casino & SkyPod in Las Vegas. Fobi expects to generate revenue through an initial setup fee and ongoing Wallet pass license fees.

On November 22, 2021, the Company successfully completed the Service Organization Control (SOC) 2 Type 1 audit. The audit was conducted by AARC-360, an independent PCAOB registered CPA firm. The audit allows Fobi to bid on large corporations and government bodies who require SOC2 compliance as a prerequisite.

On November 24, 2021, Fobi AI Inc. announce the Company a revenue sharing agreement with Caddle, a mobile-first insights marketplace app in Canada. The partnership agreement is expected to advancing value in existing relationships and deliver potential new clients in the CPG & retail space while generating new product offerings for loyalty using Fobi's mobile Wallet passes which complement Caddle's suite of services.

On December 2, 2021 the Company held a shareholder update webinar highlighting its performance for Q1 of fiscal 2022

On December 2, 2021 The Company or "Fobi"), signed an agreement with Amazon for distribution and fulfillment of Fobi AI's various hardware products. The agreement enabled the Company to become an Amazon Business Seller thus providing Fobi access to Amazon's global e-commerce, logistics and fulfillment infrastructure.

Fobi anticipates launching [Fobi 3.0 IoT hardware devices](#) on Amazon Business. Fobi's proprietary IoT device would provide Amazon Business customers with real-time point of sale connectivity through capturing and attributing first-party data in real-time.

On December 08, 2021, the Company has entered into a non-binding LOI to acquire 100% of the shares of Passworks, a European digital wallet and mobile marketing company with clients such as Hugo Boss, global coupon provider Catalina and media corporation Wunderman Thompson UK. The acquisition will be a share purchase agreement, and is expected to be completed by late December or early January of 2022, subject to the customary due diligence and Exchange approvals. The exact terms of the acquisition are still being negotiated.

On December 10, 2021, the Company announced a new partnership with Janam Technologies, a provider of rugged mobile computers and contactless access solutions, to deliver powerful, end-to-end mobile wallet and hardware solutions for the sports and live entertainment, hospitality, retail and healthcare industries.

On December 13, 2021, the Company announce that Fobi has been selected to be the Health and Safety Technology Provider for the upcoming [RSPA Inspire 2022 event](#), to be held January 23-26 in Clearwater Beach, Florida. Fobi expects to generate revenue from this deal through an initial setup fee and license fees for the wallet passes issued.

On December 14, 2021, the Company announced its collaboration with Kai Medical to help power a rapid Covid testing system for the Galaverse event that was held December 11-13

at the Aria Resort and Casino in Las Vegas by Gala Games. Fobi earned revenue from this project through a development consulting agreement with Kai Medical.

On December 21, 2021, the Company announced a one-year agreement with one of the largest operators of golf courses in North America, to digitize their member cards using Fobi's new digital golf membership Wallet pass solution. Fobi expects to generate revenue from this and other such deals through an annual license fee and through monthly Wallet pass license fees on a per pass issuance basis.

On January 05, 2022, Fobi announced that the Company had signed an annual license with one of the world's leading insurance providers. Fobi earns revenue from this deal through an annual license fee as well a license fee per Wallet pass issued, generating monthly recurring revenue.

On January 13, 2022, Fobi announced that it had entered into a share purchase agreement with Passworks to acquire all of the issued and outstanding shares of Passworks S.A. a leading European digital wallet and mobile marketing company with clients such as Hugo Boss, global coupon provider Catalina and media corporation Wunderman Thompson UK.

On January 25, 2022 the Company announced the partnership and integration of its Fobi platform with Square, formerly Square, Inc. The partnership includes the availability of the Fobi app on the Square App Marketplace for businesses of all types and sizes including those in the retail and food and beverage industries.

On February 1, 2022 the announced the launch of the new PassPro Wallet pass product. The new Enterprise-grade SaaS platform with enhanced functionality positions Fobi as a leader in the Mobile Wallet Pass market and is expected to power new opportunities with Enterprise clients for Fobi in key verticals such as retail, sports, entertainment, HOSPITALITY & Tourism. Fobi will make money from this new platform from initial setup fees, per Wallet pass licensing fees, and managed service fees, which will be a new revenue stream for Fobi.

On February 3, 2022 the Company announced a strategic partnership with Barnet Technologies Corp. a Canadian software development company with extensive installations cross Canada and the US. In the highly regulated Liquor and Cannabis verticals in addition to providing management system solutions for the grocery and convenience industry. Fobi's collaboration with Barnet is to deliver Fobi's Wallet pass based loyalty, Employee ID and age verification solutions to clients including BCLC government PlayNow member program.

On February 09, the Company launched its latest mobile wallet innovation with "Fan Pass." a new fan engagement platform built off of the recently released [PassPro solution](#), Fobi's new enterprise-grade SaaS platform. To be launched with top Canadian PGA golfer Adam Hadwin, who be promoting Fobi's new Fan Pass platform. The initial Adam Hadwin Fan Pass that will be available for download on the [fobi.ai](http://fobi.ai) website on March 7th to coincide with The Players Championship Tournament that week in Florida.

February 14, 2022 **the** Company announce the release of their new digital identification solution, AltID, which integrates into the recently released Fobi [PassPro](#) enhanced wallet pass platform. AltID will enable organizations to move from paper and plastic-based analog

credential systems to digitally validated credentials for users at businesses, schools, venues, and across regulated industries.

As a digital ID verification solution that bolts on to PassPro to make credential verification more secure, and which enables segmented customer engagement. For example, age-specific promotions (such as for alcohol or gaming) can be pushed out safely to only those people who are verified as authorized to receive them, intending to ensure that only verified people receive certain promotions which increases sponsorship revenue and reduces regulatory liability issues.

February 17, 2022, Fobi announced the relaunch of the Grocery Coupon Network (GCN) website at [www.grocerycouponnetwork.com](http://www.grocerycouponnetwork.com). GCN is a key asset that Fobi inherited as a result of the successful completion of the [Qples acquisition](#). GCN was originally launched back in 2009 and quickly became one of the fastest-growing and top-ranking grocery coupon websites online.

GCN currently has:

- 231,164 active newsletter subscribers.
- 133,000 Facebook likes, 91% of which are from women and 97% are from the US, both demographics that CPGs are looking to target.
- Over 14 million visitors since January 2016.

GCN provides direct access for CPG brands to connect directly to millions of coupon lovers through a website designed to help users find relevant products and coupons of interest.

## **RESULTS OF OPERATIONS**

### ***Three months ended***

During the three months ended December 31, 2021, the Company incurred net comprehensive loss from the operations of \$5,059,006 (2021 - \$4,189,389). The total net loss includes share-based compensation of 2,872,519 (2021 - \$2,760,619) and wages and benefits of \$1,695,582 (2021 - \$490,287), reflecting the increase to approximately 42 permanent staff.

Key features to the increase in operating expenses were license distribution fees of \$118,003 (2021 - \$17,846) as the company significantly increased its participation in the digital wallet space. Professional fees increased to \$156,357 (2021 - \$ 58,477) as the Company incurred significant fees in respect of the acquisition activity.

### ***Six Months ended***

During the six months ended December 31, 2021, the Company incurred net comprehensive loss from the operations of \$9,474,880 (2021 - \$5,203,181). The total net loss includes share-based compensation of 5,491,880 (2021 - \$2,819,311) and wages and benefits of \$2,933,507 (2021 - \$862,056), reflecting the increased to approximately 42 permanent staff members as the company developed key applications described above.

As at December 31, 2021, the Company had a positive working capital of \$6,331,690 (Dec 30, 2020 – \$8,278,920)

Working capital declined as a result of the consumption of \$4,446,510 in operating activities (2021 - \$3,256,562) and an increase in the accounts receivable related to transactions in US and German operations. In the prior year, there was a financing of \$597,125 stock option and warrants exercises provided receipts of \$1,062,212 (2021 - 945,438) and \$1,062,212 (2021 - 3,963,787) respectively.

Advertising and marketing declined marginally to \$221,918 ( 2021- \$378,190 ) as there was curtailment of direct expenses.

Cost of services sold during the period were \$385,385 compared to \$Nil in the prior year as this cost primarily formed part of operations of “Passcreator”.

For the period ended December 31, 2021, consulting fees were \$707,170 compared to \$544,475 in the prior year. The Company proactively engaged in product development and corporate activities in the current period and engaged consultants to achieve timely and cost-effective milestones.

The Company incurred investor relations expense of \$111,127, this cost had been included in office expense in the previous period.

During the period ended December 31, 2021, the Company incurred \$245,614 in license and distribution fees compared to \$22,558 in the prior year due to the payments of licenses which were not engaged in prior year.

Office and general expenses increased to \$217,668 from \$101,134 compared to December 31, 2020. An expansion of the Company from a staff of to its current 46 resulted in a substantial increase in the salaries as described below and commensurately there was an increase in associated Office and General expenses.

The Company incurred professional fees in the amount of \$235,500 (2021- \$169,879) The comparative period included amounts related to financings at that time, whereas the current period involved substantial legal work with respect to the acquisitions of the Qples and PassWallet assets as well as the Passworks proposals.

Research and development expenses decreased to \$36,039 from \$139,242 compared to December 31, 2020 mainly due to the less components purchased for activities in research and development during the current year.

Travel expense in the amount of \$170,364 (2021 - \$21,969) as the Company attended a number of trade shows and product releases with the partial resolve of the Covid 19 situation

The Company incurred \$2,933,507 in wages and benefits (2021 - \$862,056), as a result of the addition of 42 employees as compared to the 10 employees present during the comparable prior period.

## **SUMMARY OF QUARTERLY RESULTS**

The following is selected financial information as prepared in Canadian dollars under International Financial Reporting Standards derived from the Company's most recently completed fiscal quarters:

|                    | Revenue    | Basic and Diluted Loss per Share | Comprehensive Loss for the Period |
|--------------------|------------|----------------------------------|-----------------------------------|
| December 31, 2019  |            | \$ (0.02)                        | \$ (1,523,924)                    |
| March 31, 2020     |            | (0.02)                           | (1,445,952)                       |
| June 30, 2020      |            | (0.08)                           | (5,251,021)                       |
| September 30, 2020 |            | (0.01)                           | (1,013,792)                       |
| December 31, 2020  |            | (0.04)                           | (4,189,390)                       |
| March 31, 2021     | \$ 10,016  | (0.01)                           | (1,549,863)                       |
| June 30, 2021      | 147,533    | (0.03)                           | (4,343,558)                       |
| September 30, 2021 | 580,317    | (0.03)                           | (4,432,557)                       |
| December 31, 2021  | \$ 922,823 | \$ (0.04)                        | \$ (5,059,006)                    |

## LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has funded its operations and capital requirements through a combination of debt and equity financings.

As at December 31, 2021, the Company had total assets of \$15,160,705 (June 30, 2021 – 11,682,344). As at December 31, 2021, the Company had a positive working capital of \$ 6,331,690 (June 30, 2020 - \$8,278,920).

Cash utilized in operating activities during the period ended December 31, 2021, was \$4,446,510 (December 31, 2020 – \$3,256,561).

At December 31, 2021, the Company had started generating revenue, but not achieved profitable operations and has accumulated losses of \$48,535,478 since inception and expects to incur further losses in the development of its business. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

### **Equity financings**

On July 20, 2020, the Company completed a non-brokered private placement of 5,686,904 units at \$0.105 per unit for proceeds of \$597,125. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.25 per share for a period of two years from the date of issuance.

On June 30, 2021, the Company completed a brokered private placement for 5,935,000 units at \$1.25 per unit for proceeds of \$7,418,750. Each unit consisted of one common share and one-half of purchase warrant exercisable at \$1.60 per share for a period of two years from the date of issuance. Share issuance costs of \$500,969 incurred and charged to share capital.

In connection with the private placement closed on June 30, 2021, the Company also issued 343,025 non-transferable broker warrants which are exercisable into one common share in the capital of the company until June 30, 2023 at a price of \$1.60 per share. The fair value of the share purchase warrants was determined to be \$340,707, calculated using Black-Scholes option pricing model.

In connection with the acquisition of “Passcreator”, the Company issued 1,301,425 common shares at a price of C\$1.43 per share, the remainder of the \$2,013,351 purchase price was paid in cash.

On October 13, 2021, the Company acquired certain assets and assumed certain liabilities related to the Qples application from Qples Inc. In consideration, the Company paid USD \$2,120 in cash and issued 1,222,551 common shares of the Company. The Company has also committed to provide certain future consideration to the sellers, contingent upon achieving certain milestones. The Company has recorded a contingent liability for the estimated the fair value in the amount of \$577,260.

On November 8, 2021, the Company completed its acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH. In consideration, the Company paid \$511,153 in cash and issued 301,480 common shares of the Company at fair market value of \$542,664.

The Company issued 5,762,250 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$1,191,250. The Company issued 2,068,750 common shares pursuant to the exercise of share purchase stock option for total proceeds of \$1,062,212.

The Company’s operations are mainly funded with equity and debt financing, which is dependent upon many external factors, and thus funds may be difficult to raise when required. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities. The foregoing indicates the existence of a material uncertainty that may cast substantial doubt as to whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

## **CAPITAL MANAGEMENT**

The Company considers capital to be the sole element of shareholders’ equity. The Company’s primary objectives in capital management are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the sale and distribution of its technology products. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## **COMMITMENTS AND CONTINGENCIES**

At the period ended December 31, 2021, the Company had no material commitments other than the contingent consideration on the intellectual property described above

## OFF-BALANCE SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the period ended December, 2021. Short-term key management compensation consists of the following:

|                                       | Period ended<br>December 31, 2021 |                  | Period ended<br>December 31, 2020 |                  |
|---------------------------------------|-----------------------------------|------------------|-----------------------------------|------------------|
| Salaries, wages and professional fees | \$                                | 497,655          | \$                                | 922,335          |
| Share-based payments                  |                                   | 3,222,999        |                                   | 1,578,990        |
|                                       | \$                                | <b>3,720,654</b> | \$                                | <b>2,501,325</b> |

## ACQUISITIONS

On April 16, 2021, the Company acquired 100% control over Mediaheldon GmbH, d/b/a Passcreator ("Passcreator"). Based in Germany, Passcreator is a European digital wallet and mobile marketing company. In consideration for the acquisition of Passcreator, the Company paid US\$123,000 in cash and issued 1,301,425 common shares of the Company.

On October 13, 2021, the Company completed its acquisition of the Qples assets. In consideration for the acquisition of certain assets and certain specified liabilities of Qples, FOBI agreed pay to Qples the aggregate purchase price of US\$3,151,385 (the "Purchase Price") paid as follows US\$2,120, payable in cash; and the remainder of the Purchase Price will be satisfied by the issuance of 1,222,551 common shares of FOBI (the "Shares"), being the remainder of the Purchase Price converted into Canadian funds using the Bank of Canada daily exchange rate on the date that is five TSX Venture Exchange trading days prior to the closing date of the Acquisition (the "Closing Date") at a price per share equal to \$3.24 CAD.

On November 8, 2021, the Company completed its acquisition of the PassWallet application and related assets (the "**Acquired Assets**") from Quicket GmbH (the "**Vendor**"). In consideration for the Acquired Assets, Fobi paid an aggregate of €888,000 to the Vendor consisting of: (i) €355,200 paid in cash; (ii) 301,480 common shares of Fobi (each a "**Fobi Share**") at a deemed price per Fobi Share of C\$2.63660 (€532,800 converted into Canadian funds using the Bank of Canada monthly exchange rate for the calendar month of October 2021 by the 10 trading day volume weighted average price of the Fobi Shares on the TSX Venture Exchange (the "**TSXV**") for the period ended 10 TSXV trading days prior to the date of closing of the Transaction). Fobi Shares issued in connection with the Transaction are subject to a restricted period of four months and one day from the date of issuance.

## OTHER MD&A REQUIREMENTS

- a) Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).
- b) As of December 31, 2021 and the date of this MD&A, the Company has 144,217,297 and 146,053,294 issued and outstanding common shares respectively.

c) Options

As at December 31, 2021, there are 14,755,00 options outstanding, of which 10,595,500 are exercisable.

d) Warrants

As at December 31, 2021, the Company has 6,657,295 outstanding warrants.

## **SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### ***Critical accounting estimates***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### *Assumptions used in the calculation of the fair value assigned to share-based payments*

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

#### *Going concern*

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

The Company's significant accounting policies are disclosed in Note 3 of the Company's condensed consolidated interim financial statements for the period ended December 31, 2021 and annual audited consolidated financial statements for the year ended June 30, 2021.

## **FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of accounts payable, loans payable and due to related parties approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had a cash balance of \$8,266,234 to settle current liabilities of \$964,733.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going enhancements of its technology, such capital to be derived from the completion of possible equity or debt financing options. The Company has no assurance that additional funding will be successfully secured for the future enhancements of its technology. The ability of the Company to secure additional capital in the future will depend on in the prevailing capital market conditions. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

### **Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including accounts receivable and cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Accounts receivables consist of receivable from its customers and GST receivable from the Government of Canada.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

- a) Interest rate risk  
The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2021, the Company did not have any investments in investment-grade short-term deposit certificates.
- b) Foreign currency risk  
The Company's exposure to foreign currency risk fluctuations is minimal.
- c) Price risk  
The Company is currently not exposed to any price risk.

### **Covid-19**

The impact of the outbreak of COVID-19 is uncertain and could ultimately have a significant impact on operations. The Company has adapted certain of its software technologies to provide contact solutions to schools and sports venues. To date there has been no material negative economic impact on the Company's operations. The Company established COVID-19 management plans and implemented protocols and preventative measures to mitigate the spread of COVID-19 to protect the well-being of its employees, contractors, their families.

The Company continues to follow the stringent COVID-19 infection prevention guidance and directives of federal, provincial and regional authorities in respect of acceptable protocols.

## APPENDIX 1

### Risk Factors

The Company has diversified technologies and is focused on many verticals and distribution strategies. The Company continues to focus on multiple verticals to generate future sales in the Company's main products but there is no assurance of success.

The Company has incurred a comprehensive loss for the period ended December 31, 2021 of \$4,432,557 and has a deficit of \$43,523,280. Management is continuing efforts to attract additional equity and capital investors and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to amend its business plan to create a successful strategy.

## APPENDIX I1

### FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that is based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to our company or our management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued development of our technological property. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.