FOBI AI INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2022

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INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Fobi AI Inc. (the "Company", "we", "our", "us" or "Fobi") is dated March 1, 2023, and 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.

This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended December 31, 2022 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 references to dollar amounts are in Canadian dollars unless otherwise noted.

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.

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.

Fobi is a data intelligence technology company that delivers contactless solutions and data intelligence for an array of industries, including but not limited to retail, telecom, financial services, hospitality, and sports and entertainment.

Fobi's core brands include Fobi, Passcreator by Fobi (Passcreator), Qples, and PulseIR.

Underpinning Fobi's value proposition is the fact that although there is now a virtually immeasurable volume of data constantly being produced and collected in the modern, digital world - whether human-led, automated or natural - no real value is being extracted from the vast majority of it.

Fobi's suite of products connect disparate data points using data intelligence to efficiently capture, exchange, organize, analyze and finally convert this rich data into actionable insights, all in real time. These invaluable insights enable businesses to personalize real-time marketing messages to their customers, thereby building customer loyalty with targeted promotions and engagement. By enabling real-time engagement, with analytics that are accessible through a user-friendly portal, Fobi delivers the potential to monumentally influence and improve the customer experience, deepen engagement between sellers and buyers, and increase brand/product loyalty and conversion rates.

With a focus on providing full spectrum value, in certain environments, Fobi's proprietary Internet of Things ("IoT") hardware devices can serve as a point of data collection, and in other settings, Passcreator's digital wallet pass products serve a similar purpose, serving as both a mobile data collection and data delivery mechanism.

As Fobi continues to deliver on its objective of achieving integration and adapting to our clients' existing infrastructure in a seamless fashion, bolting onto or embedding into what is already there, without additional hardware and software needs, the expanding and improving realm of digital couponing has become a significant opportunity. The Company's October 2021 acquisition of Qples is the keystone transaction toward applications in this space.

With contactless and paperless methods of public interaction also seeing a vastly accelerated degree of interest and implementation recently, Fobi has likewise evolved and adapted its technology solutions. Through the Passcreator platform, the Company can provide end-to-end digital means for access and validation for functions including registration, ticketing and check-in, while preserving privacy and enhancing engagement.

About our brands:

Passcreator, founded in 2012 and acquired in 2020, is an integrated platform that allows customers to build, distribute, track and validate custom wallet passes. Passcreator's contactless solutions enable organizations to move from paper and plastic-based analog credential systems to digitally validated credentials for users. Passcreator is playing a major role in disrupting industries that provide tickets, memberships, loyalty cards, and secured documentation such as insurance policies. Only the credentials a business requires are validated, which may include the customer's age and identity validation, thereby preserving the individual's privacy and speeding up queues at venues, while enabling venues, vendors and exhibitors to engage with guests directly on their phone's lock screen.

Qples Inc., founded in 2012, with its assets acquired by Fobi in 2021, is a coupon management platform for CPG brands. Qples ensures that brands can build, manage, distribute, and track coupons on a single platform, enabling them to take complete control of their coupon strategy. Qples is the first software service platform and provider for print-at-home coupons (8110) and universal digital coupons (8112).

PulseIR is the only platform in the world that enables companies to reach investors directly to the lock-screen on their phones. PulseIR's primary purpose is to provide companies with investor data and segmentation profiles, enabling them to have direct, real-time, and two-way communication with their investors. PulseIR's Investor Pass was created to be interoperable with any of the company's existing infrastructure.

OVERALL PERFORMANCE

Announcements and Highlights during the period ended December 31, 2022:

- On July 7, 2022, the Company announced it has signed an agreement with Minubia to provide integrated digital insurance solutions to the Caribbean and Latin America.
- On July 14, 2022, the Company announced the launch of digital loyalty and member cards for the highly regulated cannabis industry. The company also announces their first contract with Eggs Canna, a prominent and well-respected cannabis retailer in British Columbia.
- On August 10, 2022, the Company announced the signing of a 3-year exclusive data license with Barnet Technologies enabling access to all point of sale and transactional data from Barnet point of sale systems.
- On August 16, 2022, the Company announced the signing of a Reseller partnership with ShopperBridge, one of the top media platforms servicing some of the top CPG grands and retailers in North America. Fobi will generate new line revenue by way of a mutual reseller partnership.
- On August 18, 2022, the Company launches Qples integration with leading email and marketing automation platform Klaviyo.
- On August 22, 2022, the Company appoints Jon Haydock as CTO. Jon is an experienced technical leader with over two decades of experience in technology, innovation, entrepreneurship, and enterprise solution delivery. Most recently, Jon was the Director of Engineering at Open Ocean Robotics, where he looked after the electronics and software engineering teams.
- On August 30, 2022, the Company announced they are supporting Adam Hadwin's Greater Vancouver Charity Invitational golf tournament with their Checkpoint Digital Ticketing and engagement solution.
- On September 6, 2022, the Company announced they are supporting Aaron Pritchett's Big Wheel Charity Golf Class tournament with their Checkpoint Digital Ticketing and engagement solution.
- On September 20, 2022, the Company announced the launch of new functionality for Passcreator by Fobi that enables the bundling of up to 10 connected wallet passes into one download.
- On September 26, 2022, the Company announced it completed a non-brokered private placement offering of 3,681,595 units of the Company at a price per unit of $0.35 for aggregate gross proceeds of $1,288,558. Each unit consists of one common share of the Company and one-half of one common share purchase

warrant of the Company. Each warrant shall entitle the holder to purchase one additional common share of the Company at a price of $0.65 at any time on or before September 26, 2024.

- On September 28, 2022, the Company announced a new Passcreator by Fobi digital membership card deal with Scotch & Soda, one of the largest global fashion brands.
- On October 6, 2022, the Company announced a three-year exclusive data license agreement with Ideal POS. Exclusive data licenses with Ideal POS and previously announced Barnet Technologies enable Fobi to solidify the Company's position as a leading data aggregator for the independent retail marketplace.
- On October 13, 2022, the Company announced the launch of the new Qples Affiliate Marketing platform with 10 top affiliates. Fobi will generate revenue from the affiliate marketing platform by reselling coupon prints through the affiliate websites and social platforms.
- On October 28, 2022, the Company announced its addition to the S&P/TSX Venture Composite Index ("Index"), a benchmark index representing selected TSX Venture listed companies that meet qualifying metrics. Inclusion in the S&P/TSX Venture Composite provides Fobi with the potential to widen its investor base by opening it up to index funds and similar types of investment instruments.
- On November 1, 2022, the Company announced it has entered a strategic referral partnership with FanMaker, the largest provider of athletic team loyalty programs in the United States and in Australia. FanMaker builds loyalty apps and websites for professional and collegiate sports teams across the NCAA, NFL, NHL, NBA, MLS and MLB teams.
- On November 22, 2022, the Company announced the launch of Tap2Win, a new solution for retail giveaway and sweepstakes programs.
- On January 24, 2023, the Company announced it completed a non-brokered private placement offering of 4,723,946 units of the Company at a price per Unit of $0.175 for aggregate gross proceeds of $826,691. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each warrant shall entitle the holder to purchase one additional common share of the Company at a price of $0.30 at any time on or before January 24, 2025. In connection with the Private Placement, a finder's fee of $21,875 was paid and 125,000 finder's warrants were issued to an arm's length party. The Finder's Warrants have the same terms as the Warrants
- On January 26, 2023, the Company announced a new partnership between Wunderman Thompson Commerce & Technology Netherlands and Passcreator by Fobi that will enable brands to enhance customer communications and boost loyalty.
- On January 30, 2023, the Company announced its fully owned subsidiary, PulseIR, has signed a 12 month licensing agreement with PanGenomic Health Inc. PulseIR is a platform as a service (PaaS) and will generate revenue through an annual license and initial setup fee.
- On February 2, 2023, the Company announced its fully owned subsidiary, PulseIR, has signed a 12 month licensing agreement with Empower Clinics. PulseIR is a platform as a service (PaaS) and will generate revenue through an annual license and initial setup fee.
- On February 7, 2022, the Company announced that the Company's annual contract with one of the world's leading insurance providers has automatically renewed.
- On February 9, 2023, the Company announced its fully owned subsidiary, PulseIR, has signed a 12 month licensing agreement with Turnium Technology Group. PulseIR is a platform as a service (PaaS) and will generate revenue through an annual license and initial setup fee.
- On February 14, 2023, the Company announced it has signed a reseller agreement with SMS Promo. SMS Promo has been involved in the promotions industry for more than 30 years and has many global Tier 1 CPG brand customers. These customers will now be able to utilize the Qples coupon platform for both print at home coupons and the new AI (8112) Universal Digital Coupons.
- On February 16, 2023, the Company announced a three year contract with Predator Ridge, one of Canada's premier golf and real estate companies. In partnership with Telus, Fobi will work with Predator Ridge to roll out a multi-phase digital transformation starting with a new digital credential program for residents, members and guests of the resort.
- On February 27, 2023, the Company announced it has entered into a revised definitive share purchase agreement with Francisco Fiúza Da Silva Beirâo Belo, pursuant to which the Company proposes to

acquire all of the issued and outstanding shares of Passworks S.A. from the Vendor. Passworks is a leading European digital wallet and mobile marketing company with international clients such as luxury fashion retailer Hugo Boss, global coupon giant Catalina Marketing Corporation, and digital advertising leader Publicis.

- On February 28, 2022, the Company appoints Colby McKenzie as Chief Revenue Officer. Mr. McKenzie is a skilled senior executive with a proven track record of accelerating business growth and development. He brings expertise in corporate development and inorganic growth and will focus on advancing Fobi's M&A, strategic licensing and joint venture initiatives. Prior to his career as an operator, McKenzie worked as an M&A attorney at Weil, Gotshal and Manges LLP before launching his own venture-focused private equity fund, McKenzie Ventures.

RESULTS OF OPERATIONS

As at December 31, 2022, the Company had a working capital deficiency of $152,438 (June 30, 2022 – working capital of $868,435). Working capital has decreased as a result of reduced cash and cash equivalents at December 31, 2022 of $256,835 as compared to $1,031,021 at June 30, 2022.

Comparison of the six months ended December 31, 2022 and 2021

Revenue

The Company's revenue is primarily earned from selling software-as-a-service, reselling and licensing its technology to licensors. Revenue decreased by $469,665 from $1,503,140 during the six months ended December 31, 2021 to $1,033,475 during the six months ended December 31, 2022. The decrease is primarily attributed to a series of non-recurring revenue earned in the prior period. The Company has since changed direction from generating non-recurring consulting and development revenue to focusing on generating recurring revenue through scalable and repeatable business models.

Net Loss

Net loss from continuing operations decreased by $3,208,713 from $9,444,187 during the six months ended December 31, 2021 to $6,235,474 during the six months ended December 31, 2022. The decrease is primarily attributed to the decrease in share-based compensation of $3,727,544 and decrease in wages and benefits of $573,722, offset by an increase in amortization of $802,706.

Operating Expenses

Advertising and Marketing

Advertising and marketing decreased by $54,762, or 25%, from $221,918 during the six months ended December 31, 2021 to $167,156 during the six months ended December 31, 2022. Over the course of the last year, the Company has grown and developed its own in-house sales and marketing teams, along with its own internal media and marketing platform. Furthermore, the Company has recently established and filled a Chief Revenue Officer position to, among other functions, oversee, coordinate and facilitate the fulfillment of the Company's business development activities. The Company believes these further shifts toward focus and reliance on internal staff for sales and marketing will be more cost-effective and will improve revenue growth and overall volume.

Amortization

Amortization expense consists of the amortization of equipment, amortization of intellectual property, amortization of intangible assets, and amortization of right of use assets. Amortization expense increased by $802,706 to $927,544 for the six months ended December 31, 2022 from $124,838 for the six months ended December 31, 2021. The increase is primarily attributed to the acquisition of intangible assets and intellectual properties from Qples, and the Passwallet application from Quicket GmbH.

Consulting Fees

Consulting fees decreased by $128,796 or 18%, from $707,170 during the six months ended December 31, 2021 to $578,374 during the six months ended December 31, 2022. The decrease is primarily attributed to reduced consultants used during the period.

Professional Fees

Professional fees decreased by $66,089, or 28%, to $169,411 for the six months ended December 31, 2022 from $235,500 for the six months ended December 31, 2021. The decrease is primarily attributed to the timing of accruals posted.

Technology

Technology expense decreased by $49,563, or 8%, to $581,437 for the six months ended December 31, 2022 from $631,000 for the six months ended December 31, 2021. Prior year's higher balance is attributed to costs incurred to architect our platform, integrating with our newly acquired subsidiaries. The amount is reduced attributed to the Company transitioning from the R&D stage to commercialization.

Wages and benefits

Wages and benefits decreased by $573,722, or 20%, to $2,359,785 for the six months ended December 31, 2022 from $2,933,507 for the six months ended December 31, 2021. The decrease is attributed to reduced headcount from an average of 58 for the six months ended December 31, 2021 to an average of 42 for the six months ended December 31, 2022.

Comparison of the three months ended December 31, 2022 and 2021

Revenue

The Company's revenue is primarily earned from selling software-as-a-service, reselling and licensing its technology to licensors. Revenue decreased by $421,754 from $922,823 during the three months ended December 31, 2021 to $501,069 during the three months ended December 31, 2022. The decrease is primarily attributed to a series of non-recurring revenue earned in the prior period. The Company has since changed direction from generating non-recurring consulting and development revenue to focusing on generating recurring revenue through scalable and repeatable business models.

Net Loss

Net loss from continuing operations decreased by $1,824,788 from $5,050,796 during the three months ended December 31, 2021 to $3,226,008 during the three months ended December 31, 2022. The decrease is primarily attributed to the decrease in share-based compensation of $1,683,479 and decrease in wages and benefits of $685,228, offset by an increase in amortization of $378,538.

Operating Expenses

Advertising and Marketing

Advertising and marketing increased by $100,895, or 196%, from $51,432 during the three months ended December 31, 2021 to $152,327 during the three months ended December 31, 2022. The increase is primarily attributed to the timing of accruals posted.

Amortization

Amortization expense consists of the amortization of equipment, amortization of intellectual property, amortization of intangible assets, and amortization of right of use assets. Amortization expense increased by $378,538 to $466,465 for the three months ended December 31, 2022 from $87,927 for the three months ended December 31, 2021. The increase is primarily attributed to the acquisition of intangible assets and intellectual properties from Qples, and the Passwallet application from Quicket GmbH.

Consulting Fees

Consulting fees decreased by $66,386 or 19%, from $352,646 during the three months ended December 31, 2021 to $286,260 during the three months ended December 31, 2022. The decrease is primarily attributed to reduced consultants used during the period.

Professional Fees

Professional fees decreased by $139,944 or 89%, to $16,423 for the three months ended December 31, 2022 from $156,367 for the three months ended December 31, 2021. The decrease is primarily attributed to the timing of accruals posted.

Technology

Technology expense decreased by $104,977, or 25%, to $307,367 for the three months ended December 31, 2022 from $412,344 for the three months ended December 31, 2021. Prior year's higher balance is attributed to costs incurred to architect our platform, integrating with our newly acquired subsidiaries. The amount is reduced attributed to the Company transitioning from the R&D stage to commercialization

Wages and Benefits

Wages and benefits decreased by $682,558, or 40%, to $1,010,354 for the three months ended December 31, 2022 from $1,695,582 for the three months ended December 31, 2021. The decrease is attributed to reduced headcount from an average of 61 for the three months ended December 31, 2021 to an average of 42 for the three months ended December 31, 2022.

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:

	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
	$	$	$	$
Total Assets	6,632,668	7,924,239	8,540,595	12,790,899
Working Capital (Deficiency)	(152,438)	602,414	868,435	4,361,819
Revenue	501,069	532,406	218,292	315,008
Net Loss	(3,226,008)	(3,009,466)	(4,267,347)	(5,402,183)
Loss per Share	(0.02)	(0.02)	(0.03)	(0.04)

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	$	$	$	$
Total Assets	15,160,705	12,315,379	11,682,344	3,341,301
Working Capital	6,331,690	8,885,808	8,278,920	1,927,795
Revenue	922,823	580,317	147,533	10,016
Net Loss	(5,050,796)	(4,431,990)	(4,343,557)	(1,549,864)
Loss per Share	(0.04)	(0.03)	(0.01)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have incurred operating losses. We will need capital to fund our operations, which we may obtain from additional financing, debt and operations revenue or other sources. To date, we have financed our operations primarily through the issuance of our common shares.

As at December 31, 2022, we had total assets of $6,890,508 compared to $15,160,704 at December 31, 2021. We had a cash balance of $256,835 and working capital deficiency of $152,438 at December 31, 2022 as compared with a cash balance of $4,805,694 and working capital of $6,331,689 at December 31, 2021. The decrease in cash and working capital was a result of funds used for operations during the year ended June 30, 2022 and for operations during the six months ended December 31, 2022. Cash utilized in operating activities during the period ended December 31, 2022, was $2,953,827 as compared to $4,342,618 during the period ended December 31, 2021.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2022, the Company had not yet generated significant revenue or positive cash flow from operations and had an accumulated deficit of $64,479,081. These factors, among others, create substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis. The Company's strategy is to mitigate risks and uncertainties and to execute a business plan aimed at revenue growth and managing operating expenses and working capital requirements. Failure to implement this plan could have a material adverse effect on the Company's financial condition and results of operations. 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.

Cash Flows

The following table summarizes the results of our cash flows for the six months ended December 31, 2022 and 2021

	2022	2021
Opening balance	$1,031,021	$7,501,573
Net cash (outflow) from operating activities	(2,953,827)	(4,342,618)
Net cash (outflow) from investing activities	(2,212)	(547,564)
Net cash inflow from financing activities	2,001,600	2,192,767
Effect of foreign exchange on cash	180,253	1,536
Closing balance	$256,835	$4,805,694

Operating Activities

Net cash outflow from operating activities decreased by $1,388,791 to $2,953,827 for the six months ended December 31, 2022 compared to $4,342,618 for the six months ended December 31, 2021. The decrease in net cash outflow is primarily attributed to decreased operating expenditures.

Investing Activities

Net cash outflow from investing activities for the six months ended December 31, 2022 decreased by $545,352 to $2,212 for the six months ended December 31, 2022 compared to $547,564 for the six months ended December 31, 2021.

Financing Activities

Net cash inflows from financing activities for the six months ended December 31, 2022 and 2021 relates primarily to the issuance of common shares. During the six months ended December 31, 2022, the Company received net proceeds of $726,955 from the issuance of 2,405,200 common shares pursuant to the exercise of warrants and stock options, as well as net proceeds of $1,287,771 for the issuance of 3,681,595 common shares pursuant to private placement financings. During the six months ended December 31, 2021, the Company received net proceeds of $2,253,462 from the issuance of 7,831,000 common shares pursuant to the exercise of warrants and stock options.

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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarized our contractual commitments and obligations as of December 31, 2022:

	Payments Due By Period				
	Total	Less Than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More Than 5 Years
Lease liabilities	$30,567	$22,977	$7,590	$ –	$ –
Total contractual obligations	$30,567	$22,977	$7,590	$ –	$ –

CONTINGENCIES

There are no contingent liabilities.

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-terms benefits and termination benefits were made during the six months ended December 31, 2022. Short-term key management compensation consists of the following:

	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Salaries, wages and professional fees	$ 566,419	$ 240,894
Share-based payments	617,385	300,132
	$ 1,183,804	**$ 541,026**

As at December 31, 2022, the Company has a balance payable to its directors and officers totaling $Nil (June 30, 2022 - $Nil) which is included in accounts payable and accrued liabilities. The amounts payable to related parties are unsecured, non-interest bearing and due on demand.

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

We make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in our unaudited condensed interim consolidated financial statements within the next financial year are discussed below.

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

The grant date fair value of share-based payment awards granted to employees is recognized as a stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, we measure the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The expected life of the options is based on historical experience and general option holder behaviour. The Company also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual stock-based compensation expense may vary from the amount estimated.

Impairment of non-financial assets

The carrying amounts of our non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

Our corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 annual audited consolidated financial statements for the year ended June 30, 2022.

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, 2022 of $6,235,474 and has a deficit of $64,479,081. 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

Cash and cash equivalents and short-term investments are carried at fair value using a level 1 fair value measurement. The carrying value of amounts receivable, loan receivable, accounts payable and loans payable 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, 2022, the Company had a cash balance of $256,835 which is not sufficient to settle current liabilities of $2,203,457.

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 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 cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of accounts receivable from 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, 2022, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognized asset or liability will fluctuate due to changes in foreign currency rates. Our net income and financial position, as expressed in Canadian dollars, are exposed to movements in foreign exchange rates against the U.S. dollar and the Euro. We are exposed to foreign currency risk as a result of operating transactions and the translation for foreign bank accounts. We monitor our exposure to foreign exchange risk. Exposures are generally managed through natural hedging via the currency denomination of cash balances and any impact currently is not material to us.

c) Price risk

The Company is exposed to market risk with respect to its marketable securities, which consists of common shares held in publicly traded companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

OUTSTANDING SHARE DATA

Common shares

As of the date of this MD&A, the Company has 160,140,840 issued and outstanding common shares.

Stock options

As of the date of this MD&A, the Company has 17,890,393 stock options outstanding.

Share purchase warrants

As of the date of this MD&A, the Company has 7,637,803 share purchase warrants outstanding.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is on SEDAR at www.sedar.com.