



FOBI AI INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2023

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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 January 15, 2024, 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 audited consolidated financial statements for the year ended June 30, 2023 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.

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 companies include Fobi AI Inc. ("Fobi AI Canada"), Fobi AI Germany GmbH ("Passcreator"), Fobi AI (USA) Inc. ("Qples"), Pulse Investor Services Ltd ("PulseIR") and Passworks S.A.

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 data into actionable insights, all in real time. These 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 influence and improve the customer experience, deepen engagement between sellers and buyers, and increase brand/product loyalty and conversion rates.

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 asset 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 companies:

Fobi AI Inc. works with companies to future-proof businesses through AI and automation. Our data-driven Insights Portal delivers real-time analytics and insights that help companies better identify customers, understand purchasing behaviors, and drive detailed measurement and attribution.

PulseIR 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 on a single platform. PulseIR's Investor Pass was created to be interoperable with any of the company's existing infrastructure.

Passcreator, founded in 2012 and acquired in 2020, is an integrated platform that allows global 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 is a coupon management platform for consumer packaging goods (CPG) brands. The Company 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 and universal digital coupons.

Passworks is an integrated platform that allows companies to build, distribute, track and validate custom wallet and mobile passes, such as digital coupons, event tickets and boarding passes, that can be distributed directly to their customers' mobile phones and managed in real time.

OVERALL PERFORMANCE

Announcements and Highlights during the year ended June 30, 2023:

- 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 brands and retailers in North America. Fob will generate new line revenue by way of a mutual reseller partnership.
- On August 22, 2022, the Company appoints new CTO, Jon Haydock. 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 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 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 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 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 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 Beirão 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 April 19, 2023, the Company announces it has closed this contemplated transaction and acquired all of the issued and outstanding shares of Passworks S.A from the Vendor.
- On March 1, 2023, the Company appointed 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.
- On March 16, 2023, the Company announced its fully owned subsidiary, PulseIR, has signed a 12-month licensing agreement with ParcelPal Logistics Inc. PulseIR is a platform as a service (PaaS) and will generate revenue through an annual license and initial setup fee.
- On March 24, 2023, the Company announced it has signed a five-year agreement with BevWorks Brands Co., a Canadian company with plans to enter the beverage manufacturing sector. The agreement will enable Fobi to deliver technology solutions to support BevWorks' growth strategy through a data-driven means to consolidate the independent beverage manufacturers in alcohol markets. On June 21, 2023, the Company received, as part of this agreement, 11,875,000 common shares of BevWorks (equaling a 50% equity stake in BevWorks at the time of issuance).
- On April 11, 2023, the Company announced the appointment of David Nicholls as VP of Liquor Beverage. The new addition to the Company's senior management team will bring immense credibility and industry experience to the Company's focus on its global liquor beverage strategy.
- On May 23, 2023, the Company announced the temporary appointment of Jason Tong as Chief Financial Officer. The new addition to the Company's senior management team will increase the Company's executive leadership and corporate finance expertise.
- On June 6, 2023, the Company announced its newly acquired subsidiary, Passworks, has signed a new

deal with Canadian insurance company, Promutuel Insurance. Promutuel is one of the biggest damage insurers in Quebec and boasts 2,100 employees serving 634,000 insured members.

- On June 22, 2023, the Company announced that Qples by Fobi has renewed its annual contract with leading marketing solutions provider, Vericast, in providing backend infrastructure for Vericast's Universal Digital Coupon solution.

SUBSEQUENT EVENTS

- Subsequent to year-end, the Company issued a total of 902,600 common shares pursuant to the exercise of options at \$0.325 per share for gross proceeds of \$293,345.
- Subsequent to year-end, the Company completed a non-brokered private placement offering of 6,806,180 units at \$0.22 per unit for gross proceeds of \$1,497,360. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.30 per share at any time on or before three (3) years from the closing of the respective date of closing of each tranche.
- Subsequent to year-end, the Company has entered into an asset purchase agreement with Wallet Communication SL, a Spanish limited liability company pursuant to which the Company proposes to acquire certain business assets and intellectual property related to Wallet-Com, a leading digital wallet agency based in Spain for €29,010 (\$41,905). In accordance with IFRS 3, further details of the transaction are not required given the size of the transaction.

RESULTS OF OPERATIONS

As at June 30, 2023, the Company had negative working capital (current assets less current liabilities) of \$1,407,003 (June 30, 2022 – working capital of \$868,435). Working capital has decreased as a result of cash used in operations and increased deferred revenue at June 30, 2023 of \$496,194 as compared to \$221,908 at June 30, 2022, and decreased accounts receivable of \$239,847 at June 30, 2023 compared to \$1,241,961 at June 30, 2022.

Comparison of the years ended June 30, 2023 and 2022

Revenue

The Company's revenue is primarily earned from selling platform-as-a-service, reselling, referring and hosting its technology to users, as well as consulting services and development services. Revenue decreased by \$13,676, or 1%, from \$2,036,440 during the year ended June 30, 2022 to \$2,022,764 during the year ended June 30, 2023.

Net Loss

Net loss from continuing operations decreased by \$6,400,154 from \$19,152,316 during the year ended June 30, 2022 to \$12,752,162 during the year ended June 30, 2023. The decrease is primarily attributed to the decrease in share-based compensation of \$3,714,756, a decrease in consulting fees of \$798,451 and a decrease in wages and benefits of \$1,549,580, offset by an increase in amortization of \$464,733.

Operating Expenses

Advertising and Marketing

Advertising and marketing decreased by \$155,870, or 29%, from \$530,297 during the year ended June 30, 2022 to \$374,427 during the year ended June 30, 2023. Over the course of the last year, the Company has developed its own in-house sales and marketing teams, along with its own internal media and marketing platform, rather than outsourcing. 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 intangible assets, and

amortization of right of use assets. Amortization expense increased by \$464,733, or 33%, to \$1,858,469 for the year ended June 30, 2023 from \$1,393,736 for the year ended June 30, 2022. The increase is primarily attributed to the acquisition of intangible assets from Qples and Quicket.

Consulting Fees

Consulting fees decreased by \$798,451 or 44%, from \$1,826,163 during the year ended June 30, 2022 to \$1,027,712 during the year ended June 30, 2023. During the period, we re-evaluated our projects and reduced the number of consultants from 16 at the start of the period to 6 at the end of the year.

Office and general

Office and general decreased by \$167,285, or 48%, from \$350,929 during the year ended June 30, 2022 to \$183,644 during the year ended June 30, 2023. The decrease is primarily attributed to a decrease in recruiting fees of approximately \$110,000. We will continue to scrutinize our hiring needs, actively re-evaluate projects and reduce management layers. Our team is now globally distributed primarily between North America and Europe. As internal meetings have primarily been done electronically, we no longer see the value of incurring unnecessary office facilities. Consequently, we terminated our lease at 541 Howe Street.

Professional Fees

Professional fees decreased by \$457,562, or 43%, to \$610,489 for the year ended June 30, 2023 from \$1,068,051 for the year ended June 30, 2022. The decrease is primarily attributed to decreased legal and audit expenses.

Technology

Technology expense increased by \$68,225, or 7%, to \$1,091,981 for the year ended June 30, 2023 from \$1,023,756 for the year ended June 30, 2022. The increase is primarily attributed to an increased use of cloud computer services and other technology licensing subscriptions.

Wages and Benefits

Wages and benefits decreased by \$1,549,580, or 26%, to \$4,347,236 for the year ended June 30, 2023 from \$5,896,816 for the year ended June 30, 2022. During the year, the Company made the decision to eliminate certain job roles while deprioritizing lower ROI projects. We ended the June 30, 2023 year with a headcount of 28 compared to 31 at June 30, 2022.

Research

Research increased to \$528,608 for the year ended June 30, 2023 from \$Nil for the year ended June 30, 2022. During the year, the Company engaged offshore workers to conduct certain research activities. The use of offshore workers has enabled the Company to access a larger talent pool with a higher ROI and incur research expenditure on an as-needed basis.

Comparison of the three months ended June 30, 2023 and 2022

Revenue

The Company's revenue is primarily earned from selling platform-as-a-service, reselling, referring and hosting its technology to users, as well as consulting services and development services. Revenue increased by \$15,904 from \$218,292 during the three months ended June 30, 2022 to \$234,196 during the three months ended June 30, 2023.

Net Loss

Net loss from continuing operations decreased by \$2,122,406 from \$4,305,944 during the three months ended June 30, 2022 to \$2,183,538 during the three months ended June 30, 2023. The decrease is primarily attributed to a decrease in professional fees of \$427,663, decrease in share-based compensation of \$218,534, decrease in consulting fees of \$255,951 and decrease in wages and benefits of \$521,286.

Operating Expenses

Advertising and Marketing

Advertising and marketing decreased by \$96,220, from \$118,771 during the three months ended June 30, 2022 to \$22,551 during the three months ended June 30, 2023. The decrease is primarily attributed to decreased promotion services.

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 \$64,922, or 16%, to \$471,068 for the three months ended June 30, 2023 from \$406,146 for the three months ended June 30, 2022.

Consulting Fees

Consulting fees decreased by \$255,951, or 42%, from \$613,017 during the three months ended June 30, 2022 to \$357,066 during the three months ended June 30, 2023. During the period, we re-evaluated our projects and reduced the number of consultants from 16 at the start of the fiscal year to 6 at the end of the year.

Office and general

Office and general decreased by \$20,573, or 19%, from \$110,679 during the three months ended June 30, 2022 to \$90,106 during the three months ended June 30, 2023. The decrease is primarily attributed to a decrease in recruiting fees of approximately \$35,000. We will continue to scrutinize our hiring needs, actively re-evaluate projects and reduce management layers. Our team is now globally distributed between Canada, US, Germany, Portugal and India. Considering internal meetings have primarily been done electronically, we no longer see the value of incurring unnecessary office facilities. Consequently, we terminated our lease at 541 Howe Street, enabling us to redeploy this resource towards other parts of the business.

Professional Fees

Professional fees decreased by \$427,663 or 70%, to \$186,689 for the three months ended June 30, 2023 from \$614,352 for the three months ended June 30, 2022. The decrease is primarily attributed to decreased legal and audit expenses.

Technology

Technology expense increased by \$111,286, or 83%, to \$245,841 for the three months ended June 30, 2023 from \$134,555 for the three months ended June 30, 2022. The increase is primarily attributed to an increased use of cloud computer services and other technology licensing subscriptions.

Wages and Benefits

Wages and benefits decreased by \$521,286, or 35%, to \$980,682 for the three months ended June 30, 2023 from \$1,501,968 for the three months ended June 30, 2022. During the year, the Company made the decision to eliminate certain job roles while deprioritizing lower ROI projects. We ended the quarter with a headcount of 28.

Research

Research increased to \$258,803 for the three months ended June 30, 2023 from \$Nil for the three months ended June 30, 2022. During the year, the Company engaged offshore workers to conduct certain research activities. The use of offshore workers has enabled the Company to access a larger talent pool with a higher ROI and incur research expenditure on an as-needed basis.

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:

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	\$	\$	\$	\$
Total Assets	4,981,761	6,969,896	6,632,668	7,924,239
Working Capital (Deficiency)	(1,407,003)	54,353	(152,438)	602,414
Revenue	234,196	755,093	501,069	532,406
Net Loss	(2,254,862)	(4,333,150)	(3,226,008)	(3,009,466)
Loss per Share	(0.01)	(0.03)	(0.02)	(0.02)

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	\$	\$	\$	\$
Total Assets	8,540,595	12,790,899	15,160,705	12,315,379
Working Capital	868,435	4,361,819	6,331,690	8,885,808
Revenue	218,292	315,008	922,823	580,317
Net Loss	(4,434,787)	(5,402,183)	(5,012,199)	(4,431,990)
Loss per Share	(0.04)	(0.03)	(0.04)	(0.03)

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

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

As at June 30, 2023, we had total assets of \$4,981,761 compared to \$8,540,595 at June 30, 2022. We had a cash balance of \$201,241 and negative working capital of \$1,407,003 at June 30, 2023 as compared with a cash balance of \$1,031,021 and working capital of \$868,435 at June 30, 2022. The decrease in working capital was primarily a result of an increase in current portion of deferred revenue and increased cash used in operations during the year ended June 30, 2023 as compared the year ended June 30, 2022, as well as a decrease in accounts receivable (partially offset by a decrease in accounts payables and accrued liabilities). Cash utilized in operating activities during the year ended June 30, 2023, was \$4,982,466 as compared to \$8,892,480 during the year ended June 30, 2022.

The 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 June 30, 2023, the Company had not yet generated significant revenue or positive cash flow from operations and had an accumulated deficit of \$70,995,769. These factors, among others, create significant 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 years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 1,031,021	\$ 7,501,753
Net cash outflow from operating activities	(4,969,079)	(8,892,480)
Net cash outflow from investing activities	(122,780)	(570,551)
Net cash inflow from financing activities	4,278,524	2,999,522
Effect of foreign exchange on cash	(16,445)	(7,223)
Closing balance	<u>\$ 201,241</u>	<u>\$ 1,031,021</u>

Operating Activities

Net cash outflow from operating activities decreased by \$3,923,401 to \$4,969,079 for the year ended June 30, 2023 compared to \$8,892,480 for the year ended June 30, 2022. The decrease in net cash outflow is primarily attributed to decreased operating expenditures.

Investing Activities

Net cash outflow from investing activities for the year ended June 30, 2023 decreased by \$568,107 to \$122,780 for the year ended June 30, 2023 compared to a net outflow of \$690,887 for the year ended June 30, 2022. The net cash outflow was due to the purchase of investments of \$126,000 and equipment of \$9,420, partially offset by \$12,640 in cash acquired in the Passworks acquisition. During the year ended June 30, 2022, net cash outflow consisted of \$511,142 for the acquisition of Qples' assets and \$59,399 for the purchase of equipment.

Financing Activities

Net cash inflows from financing activities for the year ended June 30, 2023 and 2022 relates primarily to the issuance of common shares. During the year ended June 30, 2023, the Company received net proceeds of \$2,181,874 from the issuance of 6,977,088 common shares pursuant to the exercise of warrants and stock options, as well as net proceeds of \$2,090,612 for the issuance of 8,405,541 common shares pursuant to private placement financings. During the year ended June 30, 2022, the Company received net proceeds of \$2,940,097 from the issuance of 11,433,760 common shares pursuant to the exercise of warrants and stock options.

CAPITAL MANAGEMENT

The Company considers cash and share capital to be the elements 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

- (a) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. At June 30, 2023, there were no legal proceedings or claims.
- (b) The Company has entered into employment agreements with its COO and CEO wherein the Company has agreed to pay annual salaries to these individuals. Should the employment of these individuals be terminated for any reason other than for-cause termination or resignation, the individuals will be eligible for compensation equivalent to an aggregate of one year's salary and any performance bonus equivalent to one-half of any of the average of the two highest performance bonuses paid in the previous five fiscal years.
- (c) On February 7, 2022, the Company entered into a two-year contract agreement for \$500,000 with Higher Ground Sports Management Inc. As part of this agreement, the Company issued a total of 743,861

common shares with a fair market value of \$209,764 to settle brand awareness services of \$250,000 in the year ended June 30, 2023. As part of the same contract commitment, the Company paid \$125,000 cash in the year ending June 30, 2022 and will pay an additional \$125,000 in the year ending June 30, 2024 for similar brand awareness services.

- (d) Beginning February 1, 2020, the Company entered into a three-year contract agreement for \$106,500 with a consultant for capital market consulting services, including but not limited to capital structure, financing, merger and capital raising advice for the purpose of developing the Company's business. On July 28, 2020, the Company issued 359,119 common shares at a deemed price of \$0.335 per share in settlement of this agreement and, as such, had related prepaid expenses of \$24,020 at the year ended June 30, 2022. The Company recognized \$24,020 in consulting fees during the year ended June 30, 2023 (2022- \$41,177).

On March 14, 2022, the Company entered into a one-year consulting agreement with the same consultant for advisory support throughout the planning and execution of a new product – PulseIR, for a total consideration of \$360,000, payable in monthly installments during the duration of the contract. On March 14, 2022, the Company decided to prepay the full amount of the consideration in cash to the consultant. The Company recognized \$255,000 in consulting fees during the year ended June 30, 2023 (2022- \$105,000). The Company had \$nil in prepaid expenses related to this contract at June 30, 2023 (at June 30, 2022- \$255,000).

On January 24, 2023, the consultant participated in a private placement (Note 18), acquiring 1,428,571 units for total proceeds of \$250,000.

On April 4, 2023, the Company issued 550,000 stock options for no consideration as bonus for services rendered by the consultant. The consultant exercised 550,000 options on April 20, 2023, for proceeds of \$203,500.

On June 12, 2023, the consultant exercised 714,286 warrants for proceeds of \$214,286.

On May 1, 2023, the Company entered into a one-year consulting agreement with the same consultant for similar capital market consulting services, for a total consideration of \$240,000, payable in monthly instalments during the duration of the contract. The Company accrued \$40,000 in consulting fees during the year ended June 30, 2023. On September 1, 2023, the Company decided to prepay the full amount of the consideration in cash to the consultant.

On August 29, 2023, the consultant participated in a private placement (Note 28), acquiring 1,750,000 units for total proceeds of \$385,000.

The Company received proceeds of \$172,000 from the consultant in a series of payments between November 1, 2023 and November 22, 2023. On November 2, 2023, the Company issued 1,323,076 stock options for no consideration as bonus for services rendered by the consultant. The consultant exercised 1,323,076 options on November 7, 2023.

On November 22, 2023, the Company issued 1,250,000 stock options for no consideration as bonus for services rendered by the consultant. The consultant exercised 1,250,000 options on November 24, 2023. The Company received proceeds of \$150,000 from the consultant in a series of payments between December 6, 2023 and December 22, 2023.

CONTINGENCIES

There are no contingent liabilities outstanding at June 30, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company's related parties with transactions during the year ended June 30, 2023, consist of directors, officers and the following companies with common directors and officers:

Related party	Nature of transactions	June 30, 2023	June 30, 2022
Fobisuite Technologies (Officer)	License expenses	\$ 10,000	\$ 10,000
Catapult Consulting Corp. (Officer)	Professional fees	16,364	-
Vancouver Corporate Solutions (Corporate Secretary)	Professional fees	50,440	-
PSG Associates Holdings (Director)	Director fees and share-based payments	50,000	566,983
Lotz CPA Inc. (former Officer)	Professional fees and share-based payments	-	256,717
Seablue Inc. (former Director)	Director fees and share-based payments	-	40,000
Limelight Capital Services Inc. (former Corporate Secretary)	Professional fees and share-based payments	-	153,617

No post-employment benefits, other long-term benefits and termination benefits were made during the year ended June 30, 2023. Key management compensation during the years ended June 30, 2023 and 2022, inclusive of their related companies, consists of the following:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Salaries, wages and professional fees	\$ 1,207,926	\$ 1,143,724
Share-based payments	2,386,814	2,818,048
	\$ 3,594,740	\$ 3,961,772

As at June 30, 2023, the Company has amounts payable to its directors and officers totaling \$4,725 (June 30, 2022- \$24,615) which is included in accounts payable and accrued liabilities. The amounts payable 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, 2023.

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 net loss of \$12,693,960 for the year ended June 30, 2023 and has a deficit of \$70,937,567. 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 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, lease liabilities, contingent consideration and warrant liabilities 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 June 30, 2023, the Company had a cash balance of \$201,241 which is not sufficient to settle current liabilities of \$1,945,338. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to June 30, 2023, is uncertain. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Management applies judgment in its evaluation of the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for the Company's financial statements, then adjustments would be necessary to the carrying value of the assets and liabilities, the reported expenses and the statement of financial position classifications used.

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 June 30, 2023, the Company had \$75,000 in investment-grade short-term deposit certificates (2022 - \$132,500).

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 176,649,757 issued and outstanding common shares.

Stock options

As of the date of this MD&A, the Company has 20,141,639 stock options outstanding.

Share purchase warrants

As of the date of this MD&A, the Company has 6,946,130 share purchase warrants outstanding.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company is on SEDAR+ at www.sedarplus.ca.