



FOBI AI INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED March 31, 2024

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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 May 30, 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 condensed unaudited interim consolidated financial statements for the period ended March 31, 2024 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.

Fobi is a data intelligence technology company that delivers contactless solutions and data intelligence for an array of industries, including sports and entertainment, telecom, financial services, hospitality and retail.

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.

Fobi, through its Passcreator platform, provides end-to-end digital encrypted means for access and validation for functions including registration, ticketing and check-in, while preserving privacy and enhancing engagement.

About our brands:

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. The Company charges a yearly fee for Pulse services of \$120,000 yearly. The Company has allocated more resources to this area of the business and anticipates this product to be a significant growth driver for the coming year.

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.

The Company's October 2021 asset acquisition of Qples is the keystone transaction toward applications in this space. Qples is a coupon management platform for consumer packaging goods 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 the one stop shop mobile wallet marketing solution that enables the creation and management of mobile passes, such as digital coupons that you can distribute directly to your customers' smartphones. It truly handles the full consumer life cycle. Passworks wallet pass 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 period ended March 31, 2024 and to the date of this report:

On April 25, 2024 the Company issued 770,421 common shares at a deemed price of \$0.076 to the registered holder of Sortido Cinzento, Unipessoal, LDA, as per the purchase agreement for payment of the First Anniversary Shares pursuant to the Passworks acquisition.

On February 28, 2024 the Company completed a non-brokered private placement financing, issuing 7,603,569 units at price of \$0.07 per unit for aggregate gross proceeds of \$532,250. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months.

On February 28, 2024 the Company completed a second tranche of a LIFE Offering, issuing 13,212,128 units at price of \$0.07 per unit for aggregate gross proceeds of \$924,849. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months.

On February 23, 2024 the Company completed a non-brokered private placement financing, issuing 21,693,370 units at price of \$0.07 per unit for aggregate gross proceeds of \$1,518,535.94. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months. The shares were issued under the listed issuer financing exemption and are free trading upon issuance.

On October 2, 2023, 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.

On October 18, 2023, 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 March 31, 2024, the Company had negative working capital (current assets less current liabilities) of \$164,801 (June 30, 2023 – negative working capital of \$1,407,003).

Comparison of the nine months periods ended March 31, 2024 and 2023

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 \$86,764, or 4%, from \$2,288,568 during the nine month period ended March 31, 2023 to \$2,201,804 during the nine month period ended March 31, 2024.

Net Loss

Net loss from continuing operations decreased by \$4,871,356 from \$9,829,095 during the nine month period ended March 31, 2023 to \$4,957,739 during the nine month period ended March 31, 2024. The decrease is primarily attributed to the decrease in share-based compensation of \$3,527,319 and a decrease in wages and benefits of \$1,041,300.

Operating Expenses

Advertising and Marketing

Advertising and marketing increased by \$229,116, or 65%, from \$351,876 during the nine month period ended March 31, 2023 to \$580,992 during the nine month period ended March 31, 2024. The increase is primarily attributed to increased promotion activities.

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 decreased by \$443,192.

Consulting Fees

Consulting fees increased by \$48,134 or 7%, from \$670,646 during the nine months ended March 31, 2023 to \$718,780 during the nine months ended March 31, 2024. During the period, we continue to evaluate our projects and reduced costs where appropriate.

Professional Fees

Professional fees increased by \$205,525 or 48%, to \$629,325 for the nine months ended March 31, 2024 from \$423,800 for the nine months ended March 31, 2023. The increase is primarily attributed to increased legal expenses associated with financings and accounting expenses in the context of the 2023 audit and accruals for the 2024 audit.

Technology

Technology expense decreased by \$188,614 or 22%, to \$657,526 for the nine months ended March 31, 2024 from \$846,140 for the nine months ended March 31, 2023. The decrease is primarily attributed to an decreased use of cloud computer services as well as better pricing from resellers.

Wages and Benefits

Wages and benefits decreased by \$1,041,300, or 31%, to \$2,325,254 for the nine months ended March 31, 2024 from \$3,366,554 for the nine months ended March 31, 2023. During the period, the Company continued to increase human resource efficiency.

Research

Research decreased to \$242,429 for the nine months ended March 31, 2024 from \$269,805 for the nine months ended March 31, 2023. During the period, 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 periods ended March 31, 2024 and 2023

Revenue

The Company's revenue is primarily earned from selling software-as-a-service, reselling and licensing its technology to licensors. Revenue decreased by \$567,000 from \$1,255,093 during the three months ended March 31, 2023 to \$688,093 during the three months ended March 31, 2024. The decrease is the recognition in the prior period of one time contracts. The current period revenue was more focused on recurring revenue through scalable and repeatable business models.

Net Loss

Net loss from continuing operations decreased by \$2,405,494 from \$3,833,150 during the three months ended March 31, 2023 to \$1,427,656 during the three months ended March 31, 2024. The decrease is primarily attributed to the decrease in share-based compensation of \$2,128,948 and decrease in wages and benefits of \$395,668.

Operating Expenses

Advertising and Marketing

Advertising and marketing increased by \$211,958, or 115%, from \$184,720 during the three months ended March 31, 2023 to \$396,678 during the three months ended March 31, 2024. 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 has no material changes.

Consulting Fees

Consulting fees increased by \$96,534 or 99%, from \$189,823 during the three months ended March 31, 2023 to \$286,357 during the three months ended March 31, 2024. The increase is due to a increased activity in the development of new applications particularly in the E ticketing space.

Professional Fees

Professional fees decreased by \$83,089, or 33%, to \$171,300 for the three months ended March 31, 2024 from \$254,389 for the three months ended March 31, 2023. The decrease was due to a legal fees incurred in the prior period.

Technology

Technology expense decreased by \$57,937, or 22%, to \$206,766 for the three months ended March 31, 2024 from \$264,703 for the three months ended March 31, 2023. Prior year's higher balance is attributed to costs incurred to architect our platform, integrating with our newly acquired subsidiaries. The amount is also reduced due to the Company transitioning from the R&D stage to commercialization.

Wages and benefits

Wages and benefits decreased by \$395,668 or 39%, to \$611,101 for the three months ended March 31, 2024 from \$1,006,769 for the three months ended March 31, 2023. The decrease is attributed to a realignment of employee roles which resulted in a reduction of overall headcount.

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:

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
	\$	\$	\$	\$
Total Assets	5,231,939	4,560,685	4,787,294	4,981,761
Working Capital (Deficiency)	(7,152)	(1,563,711)	(1,132,353)	(1,407,003)
Revenue	688,093	780,313	733,398	234,196
Net Loss	(1,427,656)	(1,273,183)	(2,262,601)	(2,254,862)
Loss per Share	(0.01)	(0.01)	(0.01)	(0.01)

	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
	\$	\$	Restated \$	\$
Total Assets	6,969,896	6,632,668	7,924,239	8,540,595
Working Capital	54,353	(152,438)	602,414	868,435
Revenue	755,093	501,069	532,406	218,292
Net Loss	(4,333,150)	(3,226,008)	(3,009,466)	(4,434,787)
Loss per Share	(0.03)	(0.02)	(0.02)	(0.04)

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 March 31, 2024, the Company had total assets of \$5,231,939 compared to \$6,969,896 at March 31, 2023. We had a cash balance of \$1,142,989 and negative working capital of \$7,152 at March 31, 2024 as compared with a cash balance of \$279,752 and working capital of \$54,353 at March 31, 2023. The decrease in working capital was primarily a result of a reduction of deferred revenue and lower share-based compensation. The prior period also included an add back to cash flow for the sale of investments. There was a significant increase in cash provided by financing activities during the nine months period ended March 31, 2024 as compared the nine months period ended March 31, 2023. Cash utilized in operating activities during the nine months period ended March 31, 2024, was \$3,933,429 as compared to \$2,953,827 during the nine months period ended March 31, 2023.

The condensed unaudited 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 March 31, 2024, the Company had not yet generated significant revenue or positive cash flow from operations and had an accumulated deficit of \$75,990,840. 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 nine months period ended March 31, 2024 and 2023:

	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
Opening balance	\$ 201,241	\$ 1,031,021
Net cash outflow from operating activities	(3,933,429)	(2,953,827)
Net cash outflow from investing activities	-	(2,212)
Net cash inflow from financing activities	4,920,191	2,001,600
Effect of foreign exchange on cash	(45,014)	180,328
Closing balance	\$ 1,142,989	\$ 256,910

Operating Activities

Net cash outflow from operating activities decreased by \$979,602 to \$3,933,429 for the nine months period ended March 31, 2024 compared to \$2,953,827 for the nine months period ended March 31, 2023. The increase in net cash outflow is described above

Investing Activities

there was no material invests thing activity during the period or the prior year comparative period.

Financing Activities

Net cash inflows from financing activities for the nine months period ended March 31, 2024 and 2023 relates primarily to the issuance of common shares from non brokered private placements as well as distributions under the Listed Issuer Financing Exemption . During the nine months period ended March 31, 2024, the Company received net proceeds of \$701,501 from the issuance of common shares pursuant to the exercise of stock options, as well as net proceeds of \$4,226,245 for the issuance of common shares pursuant to private placement financings.

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 March 31, 2024, 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. The Company recognized \$24,020 in consulting fees during the period nine months ended March 31, 2024 and March 31, 2023.
- (e) On April 4, 2023, the Company issued 550,000 stock options for no consideration as bonus for services rendered a the consultant. The consultant exercised 550,000 options on April 20, 2023, for proceeds of \$203,500.
- (f) On June 12, 2023, the consultant exercised 714,286 warrants for proceeds of \$214,286.
- (g) 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. On September 1, 2023, the Company decided to prepay the full amount of the consideration in cash to the consultant. The Company recognized \$60,000 in consulting fees during the period ended March 31, 2024 (March 31, 2023 - \$nil) and had \$140,000 in prepaid expenses relating to this agreement at March 31, 2024 (June 30, 2023 - \$nil).
- (h) On August 29, 2023, the consultant participated in the private placements (Note 15), acquiring 1,750,000 units for total proceeds of \$385,000.
- (i) 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 sent proceeds of \$172,000 to the Company in advance of exercising 1,323,076 options on November 7, 2023.
- (j) 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 sent proceeds of \$150,000 to the Company in advance of exercising 1,250,000 options on November 24, 2023.

CONTINGENCIES

There are no contingent liabilities outstanding at March 31, 2024.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

No post-employment benefits, other long-term benefits and termination benefits were made during the period ended March 31, 2024. Key management compensation during the nine months ended March 31, 2024 and 2023, inclusive of their related companies, consists of the following:

	March 31, 2024	March 31, 2023
Salaries, wages and professional fees	\$ 827,980	\$ 898,909
Share-based payments	621,787	2,168,122
	\$ 1,449,767	\$ 3,067,031

As at March 31, 2024, the Company has amounts payable to its directors and officers totaling \$nil (June 30, 2023-\$4,725) 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 estimates 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 vertical 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 \$3,226,008 for the nine month period ended March 31, 2024 and has a deficit of \$74,561,255. 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 March 31, 2024, the Company had a cash balance of \$161,714 which is not sufficient to settle current liabilities of \$1,938,075. 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 March 31, 2024, 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 March 31, 2024, the Company had \$75,000 in investment-grade short-term deposit certificates (2023 - \$75,000).

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 221,125,423 issued and outstanding common shares.

Stock options

As of the date of this MD&A, the Company has 22,049,594 stock options outstanding.

Share purchase warrants

As of the date of this MD&A, the Company has 51,689,512 share purchase warrants outstanding.

OTHER MD&A REQUIREMENTS

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