



FOBI AI INC.
(Formerly Loop Insights Inc.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dated November 29, 2021

For the Period Ended September 30, 2021

INTRODUCTION

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

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements as at September 30, 2021 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

COMPANY OVERVIEW

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

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

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

OVERALL PERFORMANCE

Announcements and Highlights during the period:

- On July 20, 2021, the Company was selected by GPJ to utilize their Wallet pass solution as part of their event management solution.
- On July 27, 2021, the Company signed a Binding Letter Of Intent ("LOI") to acquire US based Qples, an online coupon and advertising platform to deliver global CPG generated coupons into any retail platform.
- On July 29, 2021, the Company announced adding ticketing and admissions capabilities to live and digital fan engagement to deliver a comprehensive solution for a NCAA Division 1

- basketball tournament at Baha Mar Hoops in the Bahamas
- On August 19, 2021, the Company announced the release of its new Smart Scan App to be used by Passcreator and Fobi customers to validate Wallet passes in addition to the utilization of Fobi's proprietary Smart Tap devices (which use NFC) to validate the Wallet passes at events, venues and other locations.
 - On August 24, 2021, the Company announced the release of its new Venue Management System for Conferences & Events. Intended to help venues and conference organizers provide better, mobile-first contactless customer experience, reduce costs and get better analytics about how attendees are interacting with their event.
 - On August 27, 2021, the Company announced the release of its new Digital Proof of Vaccination service CheckVax™, to assist venues and businesses comply and meet government vaccine mandates.
 - On August 30, 2021, the Company announced the completed integration of the Fobi Platform with Shopify and the availability of the Fobi App on the Shopify App Store for purchase by Shopify retailers.
 - On September 1, 2021, the Company announced that it had signed a deal to provide Fobi's Venue Management and Wallet pass solution to the Canadian Hockey League.
 - On September 7, 2021, the Company announced a data aggregation and analytics partnership with Lightspeed Commerce Inc., a one-stop commerce platform for merchants globally.
 - On September 10, 2021, the Company announced the integration of Fobi's Wallet pass solution (including the CheckVax™ Digital Vaccination Verification service) with the Hedera Consensus Service.
 - On September 13, 2021, the Company announced that it had developed and released a new universal app-less proof of vaccination validation solution, CheckVax™ Validator, to support Smart Health Cards (SHCs)
 - On September 15, 2021, the Company announced the launch of Fobi 3.0 the next generation of the company's proprietary IoT hardware device.
 - On September 21, 2021, the Company announced that Draganfly's Vital Intelligence Smart Vital system had been integrated into Fobi's Venue Management System for Conferences & Events.
 - On September 22, 2021, the Company announced the launch of the Fobi Data Exchange ("FDX") with its first data monetization agreement and partner, In-Touch Group, a provider of consumer insights and digital marketing to retailers and consumers.
 - On September 24, 2021, the Company announced that it had entered into a data consulting agreement with Azincourt Energy Corp., a Canadian-based resource company specializing in the strategic acquisition, exploration, and development of alternative energy/fuel projects.
 - On September 27, 2021, the Company announced that it had entered into a definitive asset purchase agreement to acquire certain specific assets and the assumption of certain liabilities from Qples, Inc. for total consideration of approximately US\$3.2 million, plus up to an additional US\$1 million earn out.
 - On September 29, 2021, the Company announced that it had entered into a data consulting agreement with Kiaro Holdings Corp. to consult on the development of Kiaro's data warehouse and real-time data analytics strategy.
 - On October 7, 2021, the Company announced the execution of an agreement to acquire PassWallet, a leading app (by Google Play Store downloads) for managing and utilizing Wallet passes on Android phones.
 - On October 8, 2021, the Company announced the signing of a national Passcreator Wallet pass transaction with S4S, Iceland's largest shoe retailer.
 - On October 12, 2021, the Company announced the Company had entered into a Service Agreement with Empower Clinics Inc. to integrate Fobi's artificial Intelligence data applications and wallet pass platform into Empower's Kai Care COVID-19 Testing product.
 - On October 13, 2021, the Company announced the receipt of TSXV approval and completion, for the acquisition of Qples. In consideration for the acquisition of certain assets and certain specified liabilities of Qples, FOBI will pay to Qples the aggregate purchase price of

US\$3,151,385 (the “Purchase Price”) paid as follows: (i) US\$2,120 payable in cash; and (ii) the remainder of the Purchase Price will be satisfied by the issuance of 1,222,551 common shares of FOBI (the “Shares”), being the remainder of the Purchase Price converted into Canadian funds using the Bank of Canada daily exchange rate on the date that is five (5) TSX Venture Exchange trading days prior to the closing date of the Acquisition (the “Closing Date”) at a price per share equal to \$3.24 CAD. Qples also has the opportunity to earn up to a US\$1,000,000 earn out (the “Earn-Out”).

- On October 14, 2021, the Company announced a new relationship with REVELXP, which delivers a leading fan engagement solution to both the collegiate athletics and professional sports markets. It is envisaged that Fobi would receive an initial setup fee for each event, together with licensing revenue for each Wallet pass distributed to fans.
- On November 5, 2021, the Company announced that it had entered into an Agreement with the University of Nevada Athletics to provide Fobi’s CheckVax™ proof of vaccination. CheckVax™ will be utilized to improve the customer experience by speeding up entry and to keep fans, student-athletes, and staff safe at all Men’s & Women’s basketball games at Nevada for this coming season. Fobi will earn revenue on this deal through an initial setup fee and monthly Wallet pass license fees.
- On November 8, 2021, the Company announced that it had completed its acquisition of the PassWallet application and related assets (the “**Acquired Assets**”) from Quicket GmbH (the “**Vendor**”). In consideration for the Acquired Assets, Fobi paid an aggregate of €888,000 to the Vendor consisting of: (i) €355,200 paid in cash; (ii) 301,480 common shares of Fobi (each a “**Fobi Share**”) at a deemed price per Fobi Share of C\$2.63660 (€532,800 converted into Canadian funds using the Bank of Canada monthly exchange rate for the calendar month of October 2021 by the 10 trading day volume weighted average price of the Fobi Shares on the TSX Venture Exchange (the “**TSXV**”) for the period ended 10 TSXV trading days prior to the date of closing of the Transaction). Fobi Shares issued in connection with the Transaction are subject to a restricted period of four months and one day from the date of issuance.
- On November 15, 2021, the Company announced that it has entered into an Agreement to provide Fobi’s Wallet pass based Venue Management solution for Sammy Hagar’s sold-out shows at The STRAT Hotel, Casino & SkyPod in Las Vegas. Fobi will generate revenue through an initial setup fee and ongoing Wallet pass license fees.

RESULTS OF OPERATIONS

During the period ended September 30, 2021, the Company incurred net comprehensive loss from the operations of \$4,432,557 (2021 - \$1,013,792). The total net loss includes share-based compensation of \$2,619,361 (2021 - \$58,692) and wages and benefits of \$1,237,926 (2021 - \$371,769).

As at September 30, 2021, the Company had a positive working capital of \$8,885,809 (June 30, 2021 – \$8,278,920)

Working capital has increased as a result of the stock options and warrants exercise receipts of \$1,992,392 and \$1,779,333 respectively. In addition, loans made in connection with the Passcreator acquisition in the amount of \$481,534 were repaid to the Company in the period.

Advertising and marketing increased to \$170,485 compared to \$108,042 in the prior year mainly due to extensive marketing efforts to increase its business and market awareness during the period.

Cost of services sold during the period were \$91,045 compared to \$Nil in the prior year as this cost primarily formed part of operations of “Passcreator”.

For the period ended September 30, 2021, consulting fees were \$354,524 compared to \$212,310 in the prior year. The Company proactively engaged in product development and corporate activities in the current period and engaged consultants to achieve timely and cost-effective milestones.

The Company incurred investor relations expense of \$31,280 (2021 - \$7,051). This cost had been included in office expense in the previous period.

During the period ended September 30, 2021, the Company incurred \$127,612 in license and distribution fees compared to \$5,028 in the prior year due to the payments of licenses which were not engaged in prior year.

Office and general expenses increased to \$145,356 from \$13,814 compared to September 30, 2020. An expansion of the Company from a staff of to its current 46 resulted in a substantial increase in the salaries as described below and commensurately there was an increase in associated Office and General expenses.

During the period ended September 30, 2021, the Company incurred professional fees in the amount of \$79,133 (2021- \$111,402) The comparative period included amounts related to financings at that time

Research and development expenses decreased to \$15,188 from \$62,975 compared to September 30, 2020 mainly due to the less components purchased for activities in research and development during the current year.

During the period ended September 30, 2021, the Company incurred travel expense in the amount of \$43,964 (2021 - \$1,942) As Covid-19 vaccination policy's have become more definitive the Company has participated in more trade events and promoted the services in the United States.

The Company incurred \$1,237,926 in wages and benefits (2021 - \$371,769), as a result of the addition of 36 employees to the 10 employees present during the comparable prior period.

SUMMARY OF QUARTERLY RESULTS

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

	Revenue	Basic and Diluted Loss per Share	Net Comprehensive Loss for the period
September 30, 2019	\$ -	\$ (0.02)	\$ (1,385,318)
December 31, 2019	-	(0.02)	(1,523,924)
March 31, 2020	-	(0.02)	(1,445,952)
June 30, 2020	-	(0.08)	(5,251,021)
September 30, 2020	-	(0.01)	(1,013,792)
December 31, 2020	-	(0.04)	(4,189,390)
March 31, 2021	10,016	(0.01)	(1,549,863)
June 30, 2021	147,533	(0.03)	(4,343,558)
September 30, 2021	\$ 580,317	\$ (0.03)	\$ (4,432,557)

LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30, 2021, the Company had total assets of \$12,315,380 (June 30, 2021 – 11,682,344). As at September 30, 2021, the Company had a positive working capital of \$ 8,885,809 (June 30, 202 - \$8,278,920).

Cash utilized in operating activities during the period ended September 30, 2021, was \$1,864,219 (September 30, 2020 – \$1,194,320).

At September 30, 2021, the Company had started generating revenue, but not achieved profitable operations and has accumulated losses of \$43,523,280 since inception and expects to incur further losses in the development of its business. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Equity financings

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

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

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

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

The Company issued 5,275,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$1,191,250. The Company issued 2,028,250 common shares pursuant to the exercise of share purchase stock option for total proceeds of \$975,937.

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

CAPITAL MANAGEMENT

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

COMMITMENTS

During the year ended September 30, 2021, the Company had following lease liabilities:

	September 30, 2021		June 30, 2021
Balance, beginning of period	\$ 39,130	\$	33,270
Leases recognized during the period	-		31,793
Finance cost	1,599		3,009
Payments	(6,230)		(28,942)
	\$ 34,499	\$	39,130
Current lease liabilities	14,766		16,912
Non-current lease liabilities	19,733		22,218

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 year ended June 30, 2021. Short-term key management compensation consists of the following:

	Period ended September 30, 2021		Period ended September 30, 2020
Salaries, wages and professional fees	\$ 240,894	\$	181,100
Share-based payments	300,132		58,692
	\$ 541,026	\$	239,792

As at September 30, 2021, the Company owed \$11,300 (June 30, 2021 - \$Nil) to a company controlled by a director.

ACQUISITIONS

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

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

Exchange trading days prior to the closing date of the Acquisition (the "Closing Date") at a price per share equal to \$3.24 CAD.

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

OTHER MD&A REQUIREMENTS

- a) Additional information relating to the Company is on SEDAR at www.sedar.com.
- b) As of September 30, 2021 and the date of this MD&A, the Company has 142,165,513 and 143,896,294 issued and outstanding common shares respectively.
- c) Options
As at September 30, 2021, there are 12,467,750 options outstanding, of which 9,600,250 are exercisable.
- d) Warrants
As at September 30, 2021, the Company has 8,417,795 outstanding warrants.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

Critical accounting estimates

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

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

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

Going concern

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

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$8,266,234 to settle current liabilities of \$964,733.

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

Credit risk

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

Market risk

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

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2021, the Company did not have any investments in investment-grade short-term deposit certificates.

- b) Foreign currency risk
The Company's exposure to foreign currency risk fluctuations is minimal.
- c) Price risk
The Company is currently not exposed to any price risk.

Covid-19

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

APPENDIX 1

Risk Factors

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

The Company has incurred a comprehensive loss for the period ended September 30, 2021 of \$4,432,557 and has a deficit of \$43,523,280. Management is continuing efforts to attract additional equity and capital investors and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to amend its business plan to create a successful strategy.

APPENDIX II

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.