



**FOBI AI INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2022**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the Year Ended June 30, 2022**

#### **INTRODUCTION**

The following Management Discussion and Analysis ("MD&A") of Fobi AI Inc. (the "Company", "we", "our", "us" or "Fobi") is dated October 28, 2022, 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, 2022 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All references to dollar amounts are in Canadian dollars unless otherwise noted.

#### **FORWARD-LOOKING STATEMENTS**

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

#### **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 year ended June 30, 2022 of \$19,370,510 and has a deficit of \$58,243,607. 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.

#### **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). The address of the Company's corporate office and principal place of business is Suite 2F – 541 Howe Street, Vancouver B.C., V6C 2C2.

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

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

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

Fobi's suite of products connect disparate data points using data intelligence to efficiently capture, exchange, organize, analyze and finally convert this rich data into actionable insights, all in real time. These invaluable

insights enable businesses to personalize real-time marketing messages to their customers, thereby building customer loyalty with targeted promotions and engagement. By enabling real-time engagement, with analytics that are accessible through a user-friendly portal, Fobi delivers the potential to monumentally influence and improve the customer experience, deepen engagement between sellers and buyers, and increase brand/product loyalty and conversion rates.

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

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

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

About our brands:

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

Qples Inc., founded in 2012, with its assets acquired by Fobi in 2021, is a coupon management platform for CPG brands. Qples ensures that brands can build, manage, distribute, and track coupons on a single platform, enabling them to take complete control of their coupon strategy. Qples is the first software service platform and provider for print-at-home coupons (8110) and universal digital coupons (8112) due to launch in 2022.

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

## **OVERALL PERFORMANCE**

Announcements and Highlights during the year ended June 30, 2022:

- On August 24, 2021, the Company announced the release of their 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 to comply with 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 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 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 an 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 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, on October 13, 2021, of 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 it has entered into an agreement with the University of Nevada Athletics, where the University of Nevada Athletics will use Fobi's CheckVax to speed up entry into the University's basketball games.
- On November 8, 2021, the Company completed its acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH. In consideration, the Company paid €355,200 in cash and issued 301,480 common shares of the Company.
- On November 10, 2021, the Company announced it has entered into an agreement with the the University of Nevada, Las Vegas (UNLV), where the University of Nevada, Las Vegas (UNLV) will use Fobi's CheckVax to speed up entry into the University's basketball games.
- 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.
- On November 22, 2021, the Company successfully completed the Service Organization Control (SOC) 2 Type 1 audit. The audit was conducted by AARC-360, an independent PCAOB registered CPA firm. The audit allows Fobi to bid on potential engagements with large corporations and government bodies who require SOC2 compliance as a prerequisite.
- On December 2, 2021, the Company announced it has become an Amazon Business Seller, providing the Company with access to Amazon's global e-commerce, logistics and fulfillment infrastructure to distribute and fulfil the sale of the Company's various hardware products.
- On December 13, 2021, the Company announced that Fobi has been selected to be the Health and Safety Technology Provider for the RSPA Inspire 2022 event.
- On December 14, 2021, the Company announced its collaboration with Kai Medical to help power a rapid Covid testing system for the Galaverse event that was held at the Aria Resort and Casino in Las Vegas by Gala Games.
- On December 21, 2021, the Company announced a one-year agreement with one of the largest operators of golf courses in North America, to digitize their member cards using Fobi's new digital golf membership Wallet pass solution.

- On January 05, 2022, the Company announced that the Company had signed an annual license with one of the world's leading insurance providers.
- On January 25, 2022, the Company announced it has completed the integration of the Fobi App with the Square App Marketplace, providing Fobi access to Square's global sellers
- On February 1, 2022 the Company announced the launch of PassPro, a new Enterprise-grade SaaS platform.
- On February 3, 2022, the Company announced a strategic partnership with Barnet Technologies Corp. a Canadian software development company with extensive installations cross Canada and the US. Barnet is a leader in the highly regulated Liquor and Cannabis verticals, in addition to providing management system solutions for the grocery and convenience industry. Fobi's collaboration with Barnet is to deliver Fobi's Wallet pass based loyalty, Employee ID and age verification solutions to clients including BCLC government PlayNow member program.
- On February 9, 2022, the Company announced it has launched the Fobi Fan Pass, a fan engagement platform built off of the PassPro Solution. On March 15, 2022 the Company announced its first implementation of the fan pass, the Adam Hadwin Fan Pass.
- February 14, 2022, the Company announced the release of its digital identification solution, AltID, which integrates into the PassPro Solution. AltID enables organizations to move from paper and plastic-based analog credential systems to digitally validated credentials for users.
- February 17, 2022, the Company announced the relaunch of the Grocery Coupon Network (GCN). GCN is a key asset the Company inherited as a result of the successful completion of the Qples acquisition. GCN was originally launched back in 2009 and quickly became one of the fastest-growing and top-ranking grocery coupon websites online, with 231,164 active newsletter subscribers and over 14 million visitors since January 2016.
- On February 28, 2022, the Company announced the termination of marketing services agreement with Emerging Markets Consulting, LLC.
- On March 17, 2022, the Company announced a strategic two-year agreement with Vericast, a leading marketing solutions company to provide backend infrastructure for Vericast's Universal Coupon Solutions that is based on the new AI (8112) Universal Coupon standard developed by the Coupon Bureau.
- On March 22, 2022, the Company announced the launch of the CheckPoint Venue Management System together with the newest 2.0 version Smart Tap device. Upon arrival, guests tap their phones on Fobi's new Smart Tap 2.0 device. This securely reads and decrypts the contents of their wallet pass and communicates with a tablet or PC running Fobi's browser-based CheckPoint application. The guest's information is fetched and displayed on the screen, enabling ID verification. The guest's ID badge can also be automatically printed out.
- On April 1, 2022, the Company announced that Fobi's CheckPoint Solution was chosen as the venue management solution for a prestigious awards show.
- On April 4, 2022, the Company announced the appointment of Annie Chan as its Chief Financial Officer. This is the first time that Fobi has invested in a full time CFO since the Company was founded. Ms. Chan has over 15 years post-qualification experience with publicly listed companies covering sectors in SaaS, telecommunications, mining and financial services. Most recently, she held the role of Chief Financial Officer with RESAAS Services Inc., a real estate digital cloud platform, where she played a cross sectional role enabling data driven decisions to acquire and engage RESAAS's 400,000 users.
- On April 6, 2022, the Company announced changes to the Board of Directors. Debra Williams has resigned from the Board of Directors and was replaced with Mike Devine. Mr. Devine is the Founder and CEO of Jet Digital Inc., the developer of JetStream, an accelerated file transfer software solution that moves big data quickly and securely. Mr. Devine previously held strategic leadership roles at companies in Fintech, Industrial IoT and telecommunications industries.
- On April 7, 2022, the Company announced it has entered into a one-year agreement with a senior US stock exchange to provide Fobi's CheckPoint digital venue management and access solution, enabling this stock exchange to provide an automated, contactless and verified point of entry.
- On April 12, 2022, the Company announced a data consulting deal to facilitate long-term tracking of

land use and natural capital changes in the Muskoka watershed for the District of Muskoka, in cooperation with Dougan & Associates (“Dougan”). Funding for this project is provided by the Government of Ontario.

- On April 21, 2022, the Company announced the launch of Investor Pass, a data driven communication and marketing platform that leverages the power of Fobi’s AI, big data and mobile wallet technology. The powerful trio of applications and functionalities help public companies convert their unknown investors into known investors while being able to engage and improve on their investor relations strategies and communications through the delivery of real-time, data-driven, personalized shareholder communication.
- On April 29, 2022, the Company announced the launch of its wholly owned subsidiary PulseIR. Pulse IR will not only provide a new data driven and mobile approach to investor relations with Fobi’s Invest Pass product, but will also offer a full suite of custom managed and contract services and additional product offerings.
- On June 27, 2022, the Company announced a new level of partnership with Barnet Technologies set to deliver Bevy Pass to Barnet’s 500 liquor retail and hospitality customer base.
- On July 7, 2022, the Company announced it has signed an agreement with Minubia to provide integrated digital insurance solution to the Caribbean and Latin America.
- On July 14, 2022, the Company announced the launch of digital loyalty and member cards for the highly regulated cannabis industry. The company also announces their first contract with Eggs Canna, a prominent and well-respected cannabis retailer in British Columbia.
- On August 10, 2022, the Company announced the signing of a 3-year exclusive data license with Barnet Technologies enabling access to all point of sale and transactional data from Barnet point of sale systems.
- On August 16, 2022, the Company announced the signing of a Reseller partnership with ShopperBridge, one of the top media platforms servicing some of the top CPG brands and retailers in North America. Fob will generate new line revenue by way of a mutual reseller partnership.
- On August 18, 2022, the Company launches Qples integration with leading email and marketing automation platform Klaviyo.
- On August 22, 2022, the Company appoints 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 August 30, 2022, the Company announced they are supporting Adam Hadwin’s Greater Vancouver Charity Invitational golf tournament with their Checkpoint Digital Ticketing and engagement solution.
- On September 6, 2022, the Company announced they are supporting Aaron Pritchett’s Big Wheel Charity Golf Class tournament with their Checkpoint Digital Ticketing and engagement solution.
- On September 20, 2022, the Company announced the launch of new functionality for Passcreator by Fobi that enables the bundling of up to 10 connected wallet passes into one download.
- On September 26, 2022, the Company announced it completed a non-brokered private placement offering of 3,681,595 units of the Company at a price per unit of \$0.35 for aggregate gross proceeds of \$1,288,558. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each warrant shall entitle the holder to purchase one additional common share of the Company at a price of \$0.65 at any time on or before September 26, 2024.
- On September 28, 2022, the Company announced a new Passcreator by Fobi digital membership card deal with Scotch & Soda, one of the largest global fashion brands.

## RESULTS OF OPERATIONS

As at June 30, 2022, the Company had a positive working capital of \$868,435 (2021 – (\$8,278,920)). Working capital has decreased as a result of reduced cash and cash equivalents at June 30, 2022 of \$1,031,021 as compared to \$7,501,753 at June 30, 2021. The Company completed a \$7,418,750 financing on June 30, 2021.

### *Revenue*

The Company's revenue is primary earned from selling software-as-a-service, reselling, referring and licensing its technology to licensors. Revenue increased by \$1,878,891 from \$157,549 during the year ended June 30, 2021 to \$2,036,440 during the year ended June 30, 2022. The increase in revenue is attributed to increased customer contracts, as well as the acquisition of Passcreator and the assets of Qples, Inc, in April 16, 2021 and October 13, 2021 respectively, where both are revenue generating entities.

### *Net Loss*

Net loss from continuing operations increased by \$8,055,733 from \$11,096,583 during the year ended June 30, 2021 to \$19,152,316 during the year ended June 30, 2022. The increase is primarily attributed to the increase in share-based compensation of \$2,735,098, increase in wages and benefits of \$3,599,449, and increase in amortization of \$1,285,838. The average head count during the year ended June 30, 2022 was 60, compared to 27 during the year ended June 30, 2021. Stock options were granted to new hires resulting in increased stock-based compensation on stock options granted and vested. The increase in amortization is acquisition of intangible assets and intellectual properties from Qples, Inc. ("Qples"), Quicket GmbH ("Quicket"), and Mediaheldon GmbH, d/b/a Passcreator ("Passcreator").

### *Operating Expenses*

#### *Advertising and Marketing*

Advertising and marketing decreased by \$529,370, or 50%, from \$1,059,667 during the year ended June 30, 2021 to \$530,297 during the year ended June 30, 2022. Over the course of the last year, the company has moved from a heavily loaded backend made up of predominantly engineers and developers to now a front of office focus by way of growing and developing our own in-house sales and marketing teams, along with our own internal media and marketing platform. As a result of these decisions, we have not only saved a great deal of capital by bringing everything in-house, we have also now proven this model to be very successful. We believe these decisions to shift to internal in-house process will continue to evolve and support our goal of generating greater visibility and significant future revenues for the company.

#### *Consulting Fees*

Consulting fees increased by \$714,653, or 64%, to \$1,826,163 for the year ended June 30, 2022 from \$1,111,510 for the year ended June 30, 2021. The increase is primarily attributed to the increased number of consultants who were later terminated in the year. As at June 30, 2022, the majority of consulting agreements were terminated.

#### *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 \$1,285,838 to \$1,393,736 for the year ended June 30, 2022 from \$107,898 for the year ended June 30, 2021. The increase is primarily attributed to the acquisition of intangible assets and intellectual properties from Qples, Quicket, and Passcreator.

#### *Technology*

Technology expense increased by \$953,712 to \$1,023,756 for the year ended June 30, 2022 from \$70,044 for the year ended June 30, 2021. Current year's higher balance is attributed to the subscription of technology tools including hosting charges to service our growing suite of products and clients.

#### *Professional Fees*

Professional fees increased by \$584,299, or 121%, to \$1,068,051 for the year ended June 30, 2022 from \$483,752 for the year ended June 30, 2021. Current year's higher balance is primarily attributed to a \$96,000 payment to a professional firm for SOC 2 compliance, as well as general increase in professional services attributed to the acquisition of Passcreator, Qples and the PassWallet application.

### *Wages and Benefits*

Wages and benefits increased by \$3,599,449, or 157%, to \$5,896,816 for the year ended June 30, 2022 from \$2,297,367 for the year ended June 30, 2021. The average head count during the year ended June 30, 2022 was 60, compared to 27 during the year ended June 30, 2021, where software developers account for the majority of new hires.

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

	June 30, 2021 \$	March 31, 2021 \$	December 31, 2020 \$	September 30, 2020 \$
<b>Total Assets</b>	11,682,344	3,341,301	3,713,842	2,401,881
<b>Working Capital</b>	8,278,920	1,927,795	2,299,026	(287,449)
<b>Revenue</b>	147,533	10,016	-	-
<b>Net Loss</b>	(4,343,557)	(1,549,864)	(4,189,390)	(1,013,792)
<b>Loss per Share</b>	(0.03)	(0.01)	(0.04)	(0.01)

### **LIQUIDITY AND CAPITAL RESOURCES**

Since our inception, we have incurred operating losses. We will need capital to fund our operations, which we may obtain from additional 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, 2022, we had total assets of \$8,540,595 compared to \$11,682,344 at June 30, 2021. We had a cash balance of \$1,031,021 and working capital of \$868,435 at June 30, 2022 as compared with a cash balance of \$7,501,753 and working capital of \$8,278,920 at June 30, 2021. The decrease in cash and working capital was a result of funds used for operations. Cash utilized in operating activities during the year ended June 30, 2022, was \$8,892,480 as compared to \$6,393,639 during the year ended June 30, 2021.

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, 2022, the Company had not yet generated significant revenue or positive cash flow from operations and had an accumulated deficit of \$58,243,607. These factors, among others, create substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis. The Company's strategy is to mitigate risks and uncertainties and to execute a business plan aimed at revenue growth and managing operating expenses and working capital requirements. Failure to implement this plan could have a material adverse effect on the Company's financial condition and results of operations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.



## Cash Flows

The following table summarizes the results of our cash flows for the year ended June 30, 2022 and 2021

	2022	2021
Opening balance	\$7,501,753	\$174,252
Net cash (outflow) from operating activities	(8,892,480)	(6,393,639)
Net cash (outflow) from investing activities	(570,551)	(111,073)
Net cash inflow from financing activities	2,999,522	13,832,253
Effect of foreign exchange on cash	(7,223)	(40)
Closing balance	\$1,031,021	\$7,501,753

### Operating Activities

Net cash outflow from operating activities increased by \$2,498,841 to \$8,892,480 for the year ended June 30, 2022 compared to \$6,393,639 for the year ended June 30, 2021. The increase in net cash outflow is primarily attributed to increased operating expenditures as a result of increased head counts hired. The average head count during the year ended June 30, 2022 was 60, compared to 27 during the year ended June 30, 2021, where software developers account for the majority of new hires.

### Investing Activities

Net cash outflow from investing activities for the year ended June 30, 2022 increased by \$459,478 to \$570,551 for the year ended June 30, 2022 compared to \$111,073 for the year ended June 30, 2021. The increase in net cash outflow is primarily attributed to the Company's acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH. In consideration, the Company paid \$511,152 in cash and issued 301,480 common shares of the Company at fair market value of \$542,664.

### Financing Activities

Net cash inflows from financing activities for the year ended June 30, 2022 and 2021 relates primarily to the issuance of common shares. 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. During the year ended June 30, 2021, the Company received net proceeds of \$7,388,239 from the issuance of 28,948,476 common shares pursuant to the exercise of warrants and stock options, as well as net proceeds of \$7,424,157 for the issuance of 11,621,904 common shares pursuant to private placement financings.

## CAPITAL MANAGEMENT

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

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarized our contractual commitments and obligations as of June 30, 2022:

	Payments Due By Period				
	Total	Less Than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More Than 5 Years
Lease liabilities	\$47,150	\$26,252	\$20,898	\$ —	\$ —
Total contractual obligations	\$47,150	\$26,252	\$20,898	\$ —	\$ —

## 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-term benefits and termination benefits were made during the year ended June 30, 2022. Short-term key management compensation consists of the following:

	<b>Year Ended June 30, 2022</b>	<b>Year Ended June 30, 2021</b>
Salaries, wages and professional fees	\$ 1,143,724	\$ 922,335
Share-based payments	2,818,048	1,578,990
	<b>\$ 3,961,772</b>	<b>\$ 2,501,325</b>

In connection with the acquisition of Passcreator, the managing directors of the subsidiary owed \$480,730 to the Company as at June 30, 2021 (Notes 4 and 9), in connection with the loans advanced for tax payments on acquisition of Passcreator. The loans bear interest of 2% per annum. The interest accrued as at June 30, 2021 was \$804. During the year ended June 30, 2022, the amounts owing were repaid in full.

As at June 30, 2022, the Company has a balance payable to its directors and officers totaling \$nil (June 30, 2021-\$29,474) which is included in accounts payable and accrued liabilities. The amounts payable to related parties are unsecured, non-interest bearing and due on demand.

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

### *Critical accounting estimates*

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

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

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

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

The grant date fair value of share-based payment awards granted to employees is recognized as a stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-

vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

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

The fair value of stock options granted is measured using a Black-Scholes model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The expected life of the options is based on historical experience and general option holder behavior. 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(a) of the Company's annual audited consolidated financial statements for the year ended June 30, 2022.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK**

Cash and cash equivalents and short-term investments are carried at fair value using a level 1 fair value measurement. The carrying value of amounts receivable, loans receivable, accounts payable and loans payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving

uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2022, the Company had a cash balance of \$1,031,021 which is not sufficient to settle current liabilities of \$2,044,949.

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

***Credit risk***

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including 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, 2022, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

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

c) Price risk

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

## **OUTSTANDING SHARE DATA**

### ***Common shares***

As of the date of this MD&A, the Company has 151,923,749 issued and outstanding common shares.

### ***Stock options***

As of the date of this MD&A, the Company has 13,214,000 stock options outstanding.

### ***Share purchase warrants***

As of the date of this MD&A, the Company has 5,035,035 share purchase warrants outstanding.

## **OTHER MD&A REQUIREMENTS**

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com).