

XRAPPLIED TECHNOLOGIES INC.
(FORMERLY ZADAR VENTURES LTD.)
Management Discussion and Analysis
(Expressed in Canadian Dollars, Unless Otherwise Stated)
For the Three Months Ended October 31, 2021

INTRODUCTION

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of XRApplied Technologies Inc. (formerly Zadar Ventures Ltd.) (the “Company” or “XRApplied”) for the three months ended October 31, 2021 should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended October 31, 2021 and the audited consolidated financial statements for the year ended July 31, 2021, which are prepared in accordance with International Financial Reporting Standards (“IFRS”).

This MD&A is prepared as of January 28, 2022. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue”, and similar expressions, as they relate to XRApplied or its management, are intended to identify forward-looking statements. Such statements reflect current views of XRApplied with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different for many future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. XRApplied does not intend, and does not assume, any obligation to update these forward looking statements.

DESCRIPTION OF THE BUSINESS

XRApplied is a public company incorporated under the *Business Corporations Act* of British Columbia on August 6, 2008. On July 19, 2021, Zadar Ventures Ltd. changed its name to XRApplied Technologies Inc. The common shares of XRApplied trade on the CSE exchange (CSE: XRA), OTCQB exchange (OTCQB: XRAPF) and the Frankfurt stock exchange (F: ZAV).

The Company’s principal business activity is the development of augmented reality, virtual reality and mixed reality (“AR/VR/MR”) technologies.

The Company's corporate office and principal place of business is at Suite 908 – 510 Burrard Street, Vancouver, B.C. V6C 3A8.

On June 23, 2021, the Company acquired all of the issued and outstanding shares of XRApplied S.A.S. ("XRA") in exchange for 40,000,000 common shares of the Company. XRA became a controlled wholly owned subsidiary of the Company.

Further to the acquisition of XRA, the Company completed a former business reorganization (the "Reorganization") with its controlled wholly owned subsidiary, Zadar Minerals Corp. ("ZMC"), effective July 12, 2021. ZMC was newly incorporated on March 12, 2021 in British Columbia and was inactive until it ceased to be a subsidiary of the Company under the Reorganization.

The Reorganization involved the spin-out of the Company's mineral property interests (the "Properties") into ZMC and distributed 7,809,710 shares of ZMC to the existing shareholders of the Company in consideration of the transfer of the Properties to ZMC. Upon completion of the Reorganization, ZMC ceased to be a subsidiary of the Company and became wholly owned by the existing shareholders of the Company, do not include those shareholders who recently received shares pursuant to the acquisition of XRA or the concurrent private placement.

The Properties, being the Company's rights and interests to each of its mineral property assets - the Whisky Gap property, the Pasfield Lake property, and the East Boundary property, which had stated value of \$28,000, were disposed of for nominal consideration.

East Boundary Mineral Claims

On August 21, 2018, the Company entered into an option agreement with a private staking syndicate to purchase the East Boundary Mineral Claims which consists of 1,888 hectares in Northern B.C.'s prolific Golden Triangle.

On September 28, 2018, the Company received TSX-V approval related to the acquisition of the East Boundary Mineral Claims.

Under the terms of the agreement, the Company can earn 100% interest in the property by issuing an aggregate of 100,000 common shares to various arms length vendors within five days of TSX-V approval (issued) and an additional issuance of 200,000 common shares on or before October 31, 2018 (issued). A 2% NSR shall be granted to Carl Alexander Von Einseidel, of which 1.5% can be repurchased by the Company for \$1,500,000.

A finder's fee on the East Boundary agreement was paid in the form of 10,000 shares issued to a third party.

During the year ended July 31, 2019, management wrote down the full \$135,000 of capitalized costs accumulated on the property to \$Nil as an asset impairment. During the year ended July 31, 2020, management capitalized and subsequently wrote down \$6,000 related to further property costs to \$Nil as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and

difficulty obtaining financing, necessitated a write down at this time in line with the Company's accounting policy for exploration and evaluation assets.

On July 12, 2021, East Boundary property was spun-out into ZMC pursuant to the Reorganization.

Whiskey Gap Property

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011, June 1, 2012, November 19, 2014, November 28, 2015, November 23, 2017 and November 17, 2018 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of International Ranger Corp.

The Option Agreement, as amended, provides that in order for the Company to earn a 60% interest in the Property (as hereinafter defined), the Company must pay the Optionor:

- a) \$12,500 (paid) and issue and allot to the Optionor 10,000 shares of the Company (issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (paid) and issue and allot to the Optionor a further 20,000 shares (issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (paid) and issue and allot to the Optionor a further 30,000 shares (issued);
- d) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property (incurred);
- e) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- f) on or before December 31, 2012, the Company shall pay a further \$50,000 (paid) and issue and allot to the Optionor a further 50,000 shares (issued).

The Company has a further option to acquire the remaining 40% interest in the Property by issuing the Optionor an additional 100,000 shares (issued) and paying the Optionor \$100,000 on or before June 30, 2020.

Metallic mineral production in Alberta is subject to a provincial royalty amounting to one percent gross mine mouth revenue until payout and the greater of one percent gross mine mouth revenue and 12 % net revenue, after payout.

In 2015, management wrote down the costs accumulated on the property to \$18,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated the write down in line with the Company's accounting policy for exploration and evaluation assets.

On July 12, 2021, Whiskey Gap property was spun-out into ZMC pursuant to the Reorganization.

Pasfield Lake Project

On September 25, 2013, the Company entered into an agreement to acquire a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan, Canada, for consideration comprising \$25,000 in cash (paid) and issuance of 174,500 shares of the Company (issued).

During 2014, a fee of \$50,000 was paid to extend the option period and a finder's fee of \$6,000 was paid in 2013.

The vendor will retain a NSR of 2%, of which 1% may be purchased the Company for \$1,000,000.

In 2015, management wrote down the costs accumulated on the Pasfield Lake property to \$10,000 as an asset impairment. While management still believes that the property is of merit and warrants continued development, lack of activity due to market conditions, and difficulty obtaining financing, necessitated the write down in line with the Company's accounting policy for exploration and evaluation assets.

On July 12, 2021, Pasfield Lake property was spun-out into ZMC pursuant to the Reorganization.

SUMMARY OF RECENT EVENTS

Private Placements and Warrants Exercised

On January 28, 2021, the Company issued a total of 125,000 common shares in the capital of the Company for gross proceeds of \$10,625 upon exercise of share purchase warrants at a price of \$0.085 per share.

On May 13, 2021, the Company closed a non-brokered private placement of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658, of which \$70,000 was received subsequent to October 31, 2021. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$0.75 per share during the first year and \$1.00 per share during the second year. \$174,523 of gross proceeds were allocated to the warrants under the residual value method.

On June 23, 2021, the Company issued 40,000,000 common shares in the capital of the Company valued at \$12,000,000, based on the share price on the date of issuance, pursuant to the acquisition of XRA.

On July 19, 2021, the Company issued a total of 250,000 common shares in the capital of the Company for gross proceeds of \$21,250 upon exercise of share purchase warrants at a price of \$0.085 per share.

On August 15, 2021, the Company issued a total of 1,250,000 common shares in the capital of the Company for gross proceeds of \$106,250 upon exercise of share purchase warrants at a price of \$0.085 per share.

Escrow Shares

36,500,000 common shares issued pursuant to the acquisition of XRA are subject to an escrow agreement dated June 17, 2021. Escrow shares will be released over a period of three years, as to 10% on the date the Company's securities are listed on a Canadian exchange (the "Listing Date") and an additional 15% every six months following the completion of the first release on the Listing Date. As at October 31, 2021, a total of 32,850,000 common shares were held in escrow.

Share Purchase Options

On August 16, 2021, the Company granted incentive stock options to purchase a total of 2,000,000 common shares at an exercise price of \$0.41 per share for a period of two years to directors, officers and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$294,600 in connection to these options.

On October 26, 2021, the Company granted incentive stock options to purchase a total of 2,000,000 common shares at an exercise price of \$0.25 per share for a period of two years to directors, officers and consultants of the Company. Accordingly, the Company recorded the estimated grant date fair value of \$219,520 in connection to these options.

Asset Acquisition

On June 23, 2021, the Company closed a definitive share exchange agreement with XRApplied SAS ("XRA"), a leader in the development and deployment of AR/VR/MR technologies as well as assets like AR/VR games and AR/VR mobile applications. Under the terms of the agreement, the Company acquired all the outstanding shares of XRA in exchange for 40,000,000 common shares of the Company at the deemed price of \$0.30 per share.

Concurrent with the closing of the transaction, the Company also (i) completed a private placement of 3,490,450 units at \$0.35 per unit for gross proceeds of \$1,221,658; and (ii) disposed of its mineral exploration properties and related assets.

Spinout of Mineral Property Interests

Further to the acquisition of XRA, the Company completed a former business reorganization with ZMC effective July 12, 2021. The Reorganization involved the spin-out of the Company's mineral property interests (the "Properties") into ZMC and distributed 7,809,710 shares of ZMC to the existing shareholders of the Company in consideration of the transfer of the Properties to ZMC. Upon completion of the Reorganization, ZMC ceased to be a subsidiary of the Company and became wholly owned by the existing shareholders of the Company, do not include those shareholders who recently received shares pursuant to the acquisition of XRA or the concurrent private placement.

The Properties, being the Company's rights and interests to each of its mineral property assets - the Whisky Gap property, the Pasfield Lake property, and the East Boundary property, which had stated value of \$28,000, were disposed of for nominal consideration.

Listing on Canadian Securities Exchange

On July 29, 2021, the Company delisted from the TSX Venture Exchange. The common shares of the Company commenced trading on the Canadian Securities Exchange on July 30, 2021 under the trading symbol “XRA”.

Cease Trade Order

In December 2021, the Company’s shares have been ceased traded by the British Columbia Securities Commission due to a delay in filing the Company’s consolidated financial statements and accompanying management’s discussion and analysis for the fiscal year ended July 31, 2021. The late filing is due to delays in obtaining the necessary financial information from the Company’s newly acquired French subsidiary.

RESULTS OF OPERATIONS

The Company’s net loss for the three months ended October 31, 2021 was \$2,412,443 as compared to a net loss of \$78,246 for the three months ended October 31, 2020.

Listing and filing fees increased to \$19,810 compared to \$1,466 in 2020 due to the listing on Canadian Securities Exchange, promotion and travel increased to \$51,584 compared to \$824 in 2020 due to increasing media marketing services, office and sundry increased to \$48,639 compared to \$24,700 in 2020 mainly due to the addition of the expenses from XRA. In addition, consulting fees increased to \$202,672 in 2021 compared to \$20,000 in 2020 mainly due to services related to the acquisition by the Company of XRA, and stock-based compensation increased to \$514,120 in 2021 compared to \$Nil in 2020 due to 4,000,000 stock options granted to directors, officers and consultants of the Company.

Other income due to the recovery of shared office costs in the Company’s head office decreased to \$9,000 compared to \$9,462 in 2020.

Amortization increased to \$1,547,634 compared to \$10,498 in 2020 mainly due to the amortization on the intellectual property acquired from XRA.

The Company also recognized an unrealized loss on its investment in Global Resources Investment Trust of \$3,011. In the comparative 2020 period, the Company recorded an unrealized loss on its investment of \$759.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Revenue \$	Net loss \$	Loss per share \$
October 31, 2021	–	(2,412,443)	(0.04)
July 31, 2021	–	(983,875)	(0.03)
April 30, 2021	–	(172,213)	(0.01)
January 31, 2021	–	(122,450)	(0.01)
October 31, 2020	–	(78,246)	(0.00)
July 31, 2020	–	(125,229)	(0.01)
April 30, 2020	–	(90,793)	(0.00)
January 31, 2020	–	(84,369)	(0.00)

There are no meaningful trends evident from analysis of the summary of quarterly financial information over the last eight quarters. Factors that can cause fluctuations in the Company's quarterly results are the timing of stock option grants, fluctuation in market value of its investments, amortization of the intellectual property, write-down of exploration and evaluation assets and other legal matters.

LIQUIDITY AND CAPITAL RESOURCES

As at October 31, 2021, the Company had working capital of \$558,114. To date, the Company has relied entirely upon the sale of common shares to generate working capital for AR/VR/MR technologies activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of common shares to raise capital. There can be no assurance that financing will be available to the Company when required.

Cash flows provided by financing activities for the three months ended October 31, 2021 was \$133,032, mainly from cash received related to the exercise of 1,250,000 warrants exercisable at \$0.085 per share for total proceeds of \$106,250. In addition, the Company received \$35,000 related to the non-brokered private placement that was closed in May 2021.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. The Company does not believe that its current financial resources will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months. There can be no assurance that these funds will be sufficient and the Company will have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three months ended October 31, 2021, the Company incurred an aggregate of \$12,500 (2020 - \$12,500) for management fees, of which \$2,000 (2020 - \$2,000) was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the Chairman of the Company and \$10,500 (2020 - \$10,500) was paid to GRW Inc., a company wholly owned by Geoffrey R. Watson, the CFO and Secretary of the Company.

Amounts due from/to related parties comprise \$495 (July 31, 2021 - \$139) in advances to officers, directors and a company with officers and directors in common and \$11,403 (July 31, 2021 - \$9,303) in advances from companies with officers and directors in common. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

During the three months ended October 31, 2021, the Company also granted 1,200,000 stock options to directors and officers of the Company and recognized related share-based compensation of \$154,236 (2020 - \$Nil).

COMMON SHARES OUTSTANDING

As of October 31, 2021, and as of the date of this report, a total of 68,544,584 common shares were issued and outstanding.

OPTIONS OUTSTANDING

As of October 31, 2021, and as of the date of this report, the Company has 2,000,000 stock options exercisable at a price of \$0.41 per share for a period of 2 years expiring August 16, 2023 and 2,000,000 stock options exercisable at a price of \$0.25 per share for a period of 2 years expiring October 26, 2023.

WARRANTS OUTSTANDING

As of October 31, 2021, and as of the date of this report, the Company has 6,125,000 warrants outstanding exercisable at \$0.085 until May 23, 2022, 2,000,000 warrants outstanding exercisable at \$0.085 until January 9, 2023, 3,000,000 warrants outstanding exercisable at \$0.30 until June 30, 2022 and 3,490,450 warrants outstanding exercisable at \$0.75 per share during the first year and \$1.00 per share during the second year exercisable until May 13, 2023.

CRITICAL ACCOUNTING ESTIMATES

Mineral Properties and Exploration Costs

The Company records its interests in mineral properties and exploration costs at historical cost. All direct costs are capitalized until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit of production basis

over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied first against the carrying value of the property, and any excess will be recorded in profit or loss.

The mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to result from the asset and its eventual disposition.

The amounts shown as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

Asset Retirement Obligations

The Company's exploration activities to date have consisted principally of geophysics. As a result, there has been little to no impact on the physical state of the properties that would give rise to asset retirement obligations.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new accounting standards during the three months ended October 31, 2021.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash, amounts receivable, investment, due from related parties, accounts payable and accrued liabilities, loans payable, share subscriptions refundable and due to related parties. The fair value of cash, amounts receivable, due from related parties, accounts payable and accrued liabilities, due to related parties, share subscriptions refundable, and loans payable approximates their carrying value due to their short-term nature. Investments are carried at fair value.

The Company classified its financial assets and liabilities at fair value through profit or loss or at amortized costs. There are no financial instruments at fair value through other comprehensive income.

OTHER RISKS AND UNCERTAINTIES

The Company actively acquires and invests in emerging technologies such as AR/VR/MR and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations and

financial performance. The most significant risks and uncertainties faced by the Company are set out below.

Technology Sector Risk

The Company obtains exposure to the securities of technology companies. General risks of technology companies include the risks of rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and frequent new product introductions. Certain technology companies may be smaller and less experienced companies, with markets or financial resources and fewer experienced management or marketing personnel.

Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change

The success of any developer of technology platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Technology platforms have experienced and are expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth.

Market Acceptance of Products

As with any technology, there is a substantial risk that the marketplace may not accept the Company's products. Market acceptance of the Company's products depends, in large part, upon its ability to demonstrate its products' performance and cost-effectiveness over competing products and upon the success of its sales efforts as well as those of its customers. The Company may not be able to continue to market its products successfully and no assurance can be given that any of its current or future products will be accepted in the marketplace.

Proprietary Technology

The Company's success will depend, in part, on its ability to maintain copyright and trademark protection, trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that the Company's intellectual property rights, copyright and/or trademarks will not be challenged by any third parties, or that the intellectual property rights of others will not have a material adverse effect on the ability of the Company to do business. Furthermore, there can be no assurance that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products. The Company may be required to obtain licenses for proprietary rights of third parties. No assurance can be given that any licenses required will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market or could find that the development, manufacture or sale

of products requiring such licenses could be precluded. In addition, the Company could incur substantial time, effort and/or costs in policing unauthorized use of its intellectual property and/or in defending itself in suits brought against it or in suits in which the Company attempts to enforce its own intellectual property rights against other parties.

Intellectual Property Rights

Companies involved in the development and operation of technologies may be dependent on intellectual property rights; the loss of which could harm its business, results of operations and its financial condition. There can be no assurance that any company's products will not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Any such claims and disputes arising may result in liability for substantial damages which in turn could harm the underlying business, results of operations and financial condition of the Company.

Competition

The market for investment opportunities is highly competitive. The Company will compete with a large number of other investors focused on similar investments. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Company. In addition, certain competitors of the Company may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments. As a result of this competition, there can be no assurance that the Company will be able to locate suitable investment opportunities, acquire such investments on acceptable terms, or achieve an acceptable rate of return on the investments it does make. The competitive pressures faced by the Company may have a material adverse effect on its activities, financial condition, and results of operations.

Limited History of Profitability

The Company has limited operating history as an investment company and no operating history in making investments in the technology industry. Its future profitability will depend upon its success in making strategic investments in and monetize those investments. Because of the limited operating history and the uncertainties regarding the development of certain technologies and industries in which the Company invests, there are significant risks associated with the Company's investment strategy.

Going concern

The Company's 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 for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its investments in the technology industry.

Cyber security risk

Cyber security risk is the risk of negative impact on the operations and financial affairs of the Company due to cyber attacks, destruction or corruption of data, and breaches of its electronic systems. Management believes that it has taken reasonable and adequate steps to mitigate the risk of potential damage to the Company from such risks. The Company also relies on third-party service providers for the storage and processing of various data. A cyber security incident against the Company or its contractors and service providers could result in the loss of business sensitive, confidential or personal information as well as violation of privacy and security laws, litigation and regulatory enforcement and costs. The Company has not experienced any material losses relating to cyber attacks or other information security breaches, however there can be no assurance that it will not incur such losses in the future.

Coronavirus Global Pandemic Risk

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant declines in the equity markets, and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.