CLOUD NINE WEB3 TECHNOLOGIES INC.

Management's Discussion and Analysis

For the three and nine months ended June 30, 2022 and 2021

Management's Discussion & Analysis

The management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Cloud Nine Web3 Technologies Inc. (the "**Company**" or "**Cloud Nine**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended June 30, 2022 and 2021. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended June 30, 2022 and 2021, and the notes related thereto (the "**Interim Financial Statements**") and the annual audited consolidated financial statements for the years ended September 30, 2021 and 2020, and the notes related thereto (the "**Annual Financial Statements**").

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. The Interim Financial Statements and MD&A have been reviewed by the Company's Audit Committee and approved by the Board of Directors on August 3, 2022.

This MD&A may contain forward-looking statements and should be read in conjunction with the cautionary statement on forward-looking statements at the end of this MD&A. These forward-looking statements are based on assumptions and judgments of management regarding events or results that may prove to be inaccurate resulting from risk factors beyond its control. Actual results may differ materially from the expected results.

The Interim Financial Statements, Annual Financial Statements, MD&A and other information, including Annual Information Form ("**AIF**"), news releases and other continuous disclosure documents are available on SEDAR at http://www.sedar.com or on the Company's website at https://cloud9web3.com.

Significant Events and Corporate Developments During the Quarter

The following is a summary of significant events and transactions that occurred during the quarter ended June 30, 2022:

Extension of warrants

On April 26, 2022, the Company extended the expiry date of 558,078 warrants exercisable at $0.40 per share from May 12, 2022 to May 31, 2023. All other terms and conditions of the above warrants remain the same.

Extension and Repricing of warrants

On June 27, 2022, the Company reduced the exercise price of 4,723,654 warrants from $0.75 per share to $0.40 per share and extended their expiry date from August 31, 2022 to December 31, 2023. All other terms and conditions of the above warrants remain the same.

Significant Events and other Corporate Developments Subsequent to the Quarter

The following is a summary of significant events and transactions that occurred subsequent to June 30, 2022:

Appointment of Director

Cloud Nine appointed Anthony Zelen to the Board of Directors effective July 20, 2022.

The Company granted Mr. Zelen 200,000 stock options and 50,000 RSUs pursuant to the Company's equity incentive plan. Each option is exercisable into one common share of the Company at $0.095 per share for a period of five years, and each RSU represents the right to receive one common share in the capital of the Company over a two year vesting period.

Company Overview

The Company is a development stage technology issuer focused on developing and offering peer-to-peer or decentralized infrastructure products and related content. The Company's current products and content offering consist of:

- Limitless VPN (virtual private network);
- Cloud Nine ESL education program;
- No charge and low-cost EdTech Content; and
- No charge Email Course Platform.

The Company's products are based on utilizing a peer-to-peer or decentralized infrastructure which is sometimes referred to as the 'decentralized web' or 'Web 3.0'. The decentralized web is a concept that proposes the reorganization of the internet in order to remove centralized data hosting services by instead using peer-to-peer infrastructure. Currently, a relatively small number of corporations control a disproportionate amount of online functioning, including control over personal data and activities. In a decentralized ecosystem, proponents believe that content creators and users will have more power, control and revenue channels. While the concept of the decentralized web is in its infancy, proponents like the Company are pursuing their business models by offering peer-to-peer products and promoting educational content that promote the growth of the concept.

The Company currently offers its products and content without charge or, in some cases, for a reduced or nominal cash fee. Instead, users who wish to use such products and access such content are required to agree to the Company's terms of use and privacy policies. At this time, the Company intends to pursue its growth strategy of focusing on growing its userbase by marketing its existing products and offering additional content. Once the Company's userbase increases to a sufficient number, the Company intends to monetize its products and services by accessing and utilizing the collective unused processing power of the Company's userbase for cryptocurrency mining through third parties or for decentralized data storage. Monetization through data storage is anticipated to be through monthly, volume or size-based fees. Monetization through cryptocurrency mining will occur through third parties who will be authorized to utilize the Company's proprietary technology to access the unused processing power of the Company's userbase to mine cryptocurrencies. In specific regards to cryptocurrency mining, the third parties will sell the cryptocurrency generated and credit back a portion of such proceeds to the Company without the Company ever taking ownership or custody of such coins. Although the Limitless VPN currently has this functioning capability, the Company intends to utilize third party platforms to perform this monetization strategy for the foreseeable future until the Company has the human and cash resources necessary to support such operations, and until the Company believes it can safely mitigate the increased regulatory and business risks associated with cryptocurrency mining. In this manner, the Company anticipates being able to generate revenue streams through the growth of its userbase based on its current and future products and content.

Products

Limitless VPN – Proprietary Limitless Platform

The Limitless VPN (virtual private network) is a proprietary product owned by the Company and offered to users which relates to the usage of network infrastructure to perform distributed computational processing and to provide the user secure and encrypted connection to the internet. The initial version of the Limitless VPN (www.limitlessvpn.com) was released and available to the public on September 23, 2021.

As at the date of this MD&A, there were 55,000 registered users, of which, 31,078 are active users of the Limitless VPN. Management believes that it will need to increase its userbase to approximately 50,000 active registered users before it reaches a sufficient number to activate its operations and utilize the unused processing power of its userbase for either cryptocurrency mining through its third party affiliate or independently for decentralized data storage.

The Limitless VPN consists of a novel process for utilizing unused processing power that computers and mobile devices have in order to perform distributed computational processing within a network infrastructure while providing secure and encrypted access to the internet. When a user connects to a network infrastructure, which can be implemented either in hardware or software form, a process is used to evaluate the user's unused computational power. One potential embodiment of a hardware-implemented network infrastructure is a connection to a carrier or internet service provider's physical network.

The Limitless VPN provides the user ~~an~~ encrypted and secure access to the internet while assigning a portion of the unused computational power in the user's computer to join the network infrastructure's distributed computational processing and start in the process of solving the puzzle along with the many other computers connected to the network infrastructure. The Limitless VPN, while depicted below as using one potential embodiment of security, is not limited by the current standards of security features. The security and privacy protections the present Limitless VPN utilizes and develops over time may incorporate the latest and most up to date commercially available security applications and protocols. The Limitless VPN, while depicted below as using one potential embodiment of calculating and determining processing power through feedback of the basic input/output system of the computer, is not limited by this sole process. The present Limitless VPN may utilize additional methods such as determination of hardware temperature to determine computational processing power.

The Company intends to monetize its Limitless VPN technology by utilizing the unused processing power of the Company's userbase by offering decentralized data storage to customers on a cash fee basis or by partnering with third parties to utilize the Company's proprietary technology to access the unused processing power of the Company's userbase to mine cryptocurrency. In specific regards to cryptocurrency mining, the third parties will sell the cryptocurrency generated and credit back a portion of such proceeds to the Company without the Company ever taking ownership or custody of that cryptocurrency. Although the Limitless VPN has this functioning capability at present, the Company intends to utilize third party platforms to perform this monetization strategy for the foreseeable future until the Company has the human and cash resources necessary to support such operations and until the Company believes it can safely mitigate the regulatory and business risks associated with cryptocurrency mining.

ESL Education Program

The Company offers a dynamic, interactive, and proprietary ESL curriculum that instructors may use in their classrooms to teach students aged 15 years and older. The digitally based curriculum is called the "Cloud Nine ESL Program" that is hosted in the cloud and delivered through the Company's website by utilizing the Google Education platform. The curriculum replaces textbooks with tablets, while also replacing photocopying and paper documents with instructional videos and internet links. It is based on the Common European Framework of Reference for Languages (CEFR) international standard for language instruction, uses the respected Certificate in Teaching English to Speakers of Other Languages (CELTA) method of teaching, supports the Flipped classroom methodology for faster language acquisition and has over 30,000 pages of learning content. The Google Education platform is provided at no cost to educators.

Historically, the Company's business plan was to monetize the program by charging students and institutions on a monthly basis in order to access the Cloud Nine ESL Program and the Company marketed the products using regional distributors to promote and sell the Cloud Nine ESL Program in return for a commission on the sales they make. This monetization strategy was unsuccessful because of the level of competition, low barriers to entry, and costs associated with rolling-out a regional distributor model. As a result, management has re-offered the program on a set fee basis, or a reduced fee provided that the customer signs up for the Limitless VPN.

EdTech Content

The EdTech content is designed to promote the benefits of the decentralized web and generate opportunities to increase the Company's user base. The content offers easy and simple guides to cybersecurity, wearable technologies, blockchain technology, crypto currencies, and decentralized Finance (DeFi). In consideration for accessing certain content free of charge or at a reduced price, users agree to join the Company's user base from which the Company will cross-sell products such as the Limitless VPN. The Company utilizes third parties to create or provide the content and then licenses the right to use such content to grow its user base.

Currently the Company offers the following content to the public who can access through the Company's website and through various marketing channels and landing pages that the Company markets through such as social media, email newsletters, and through strategic partnerships:

Course	Description	Cost
The Quick & Dirty Guide to Blockchain Email Course	Highly curated blockchain resources, articles, and videos delivered to your inbox once a week. The course provides resources to learn about blockchain technology and how it may bring significant change to business. It is designed to help a variety of users (from students and entry-level professionals to tech professionals) to learn how to use this innovation to the benefit of organizations.	Free
The Quick & Dirty Guide to Blockchain	Designed for users to learn blockchain using common language with unnecessary tech jargon. The course provides resources to learn about blockchain technology. It designed to help variety of users.	Free

Course	Description	Cost
The Quick & Dirty Guide to Blockchain Extended	An in-depth exploration of the fundamentals of blockchain technology and its core applications. The course is aimed at developing an in-depth understanding of blockchain and how it works. It includes exploration of different use cases in many industries impacted by blockchain and practical examples of application of blockchain technology.	$104.99
Blockchain Masterclass	The course provides an in-depth knowledge about key blockchain fundamentals and their application in business. It is designed to help users learn strategies to navigate blockchain innovations and uncover opportunities. In addition, the course describes how blockchain impacts economies, finance, government, regulation, and business. Also, it helps users to understand the benefits, advantages, and challenges of the different blockchain networks across sectors, functions, and activities. The course provides available blockchain implementation frameworks, playbooks and guidelines and formulate a blockchain roadmap for a business.	$1,500 / user
The Quick & Dirty Guide to NFTs – *under development*	A visual easy to read guide to understanding one of the most exciting blockchain innovations, non-fungible tokens or NFTs.	Free
The Quick & Dirty Guide to NFTs – Extended – *under development*	An extended guide with 3 hours of video to help users understand and engage with the world of non-fungible tokens or NFTs, one of the most exciting blockchain innovations to be introduced till date.	$97

Email Education Courses

Through a white-label license agreement with a private cloud based service provider, the Company offers a cloud-based product that allows users to create email courses. The created email courses are delivered by scheduled emails to the user's inbox. The product is offered to encourage entrepreneurs, especially those interested in the decentralized web space, to create an online brand through an email course, build relationships and educate customers on innovative products and services. The platform is designed to use the following steps:

- Easy to use - Choose your email course topic.
- No design needed - Just add links to your selected resources and hit publish.
- Fully ready - Your course comes with a landing page and a signup form.
- Create more - You can create as many email courses as you need.
- Generate leads - Build your list with unbelievable speed and ease.
- Build your brand - Share your courses online and invite people to sign up.

This platform is currently available through the Company's website and through various marketing channels and landing pages that the Company markets through such as social media ads, search engine ads, newsletter ads, sponsorships, and strategic partnerships.

Product development costs

During the three and nine months ended June 30, 2022, the Company recorded in intangible assets product development costs of $36,907 and $134,604, respectively, towards the Limitless VPN and related IP Assets.

Summary of Quarterly Results

The following table sets forth selected financial information of the Company for each of the last eight quarters:

Three Months Ended	Jun 2022	Mar 2022[1]	Dec 2021[2]	Sep 2021	Jun 2021[3]	Mar 2021[3]	Dec 2020[4]	Sep 2020[4] [5]
	$	$	$	$	$	$	$	$
Expenses	476,665	1,448,826	545,146	646,177	1,592,656	1,870,309	26,636	41,924[3]
Net (loss) income	(1,106,440)	(1,477,568)	666,017	(502,749)	(1,613,845)	(1,839,406)	(24,572)	(262,575)
Total comprehensive (loss) income	(1,924,440)	(1,477,568)	2,079,017	(502,749)	(1,613,845)	(1,839,406)	(24,572)	(262,575)
Basic (loss) gain per common share	(0.02)	(0.02)	0.04	(0.01)	(0.03)	(0.05)	0.00	0.00

[1] The increase in expenditures from the previous quarter was attributed to share-based compensation of $1,009,870.

[2] During the quarter, the Company recognized an unrealized gain on the fair value of derivative of $1,225,000 related to the warrant component of the investment in Next Decentrum.

[3] Higher expenditures and net loss due to higher advertising and promotion, consulting, investor relations and marketing costs of $1,523,819 and $1,449,841 during the March 2021 and June 2021 quarters, respectively, as well as other expenditures due to increased corporate activity.

[4] Financial statements for the three months ended September 30, 2020 has been restated. See Note 3 to the Interim Financial Statements.

[5] Certain expenses reported in the 2020 Financial Statements have been reclassified in 2021 to conform to the current year presentation.

Results of Operations

Cloud Nine has released its initial version of the Limitless VPN in September 2021, and offers it to users without charge. The Company is currently focusing on growing its userbase through marketing and offering additional content, and once its userbase increases to a sufficient number, the Company intends to monetize it by accessing and utilizing the collective unused processing power of the Company's userbase for cryptocurrency mining through third parties or for decentralized data storage. As of the date of this MD&A, the Company has 55,000 registered users, of which 31,078 are active users. Please see "*Products – Limitless VPN - Proprietary Limitless Platform*" above.

Three and nine months ended June 30, 2022

During the three and nine months ended June 30, 2022 and 2021, the Company has not generated any revenues from operations and incurred expenses of $476,665 and $2,470,637 (three and nine months ended June 30, 2021 - $1,592,656 and $3,489,602), respectively. The overall decrease in expenses of $1,115,991 and $1,018,965 during the three and nine months ended June 30, 2022 was due to decreased marketing and promotion activities, offset by a higher share-based compensation expense, all of which are itemized below.

Expenses

Amortization expense during the three and nine months ended June 30, 2022 of $145,429 and $437,224, respectively, was primarily attributable to the amortization of intangible assets (Limitless VPN) which is in use since September 2021. During the three and nine months ended June 30, 2021, the Company recorded amortization and depreciation of $15,597 and $39,789, respectively, related to computer equipment and intangible assets (digital curriculum platform).

During the three and nine months ended June 30, 2022, investor and public relations decreased by $186,008 and $334,623, respectively, as in the previous period, the Company reached out to the investment community prior to the release of its Limitless VPN to increase brand awareness and drive users to the website to sign up for the VPN prior to its launching. No such expenses were incurred in the current period. Included in investor and public relations in the current period were fees paid to investor relations, newswire companies and market makers.

Advertising and promotion were $2,500 (2021 - $227,049) and $32,866 (2021 - $227,049 and $647,660, respectively) during the three and nine months ended June 30, 2022, respectively, while marketing costs were $Nil (2021 - $846,209) and $14,000 (2021 - $1,292,526) during the three and nine months ended June 30, 2022, respectively. During the current period, the Company did not carry out marketing campaigns and advertising and promotion, hence, aggregate advertising and promotion and marketing decreased by $1,070,758 and $1,893,320, respectively. During the three and nine months ended June 30, 2021, the Company incurred these expenses to market and promote its Limitless VPN prior to launching.

The Company does not currently have any external consultants, and as a result, consulting fees during the three and nine months ended June 30, 2022 decreased by $152,455 and $574,535. During the three and nine months ended June 30, 2021, consulting fees of $152,455 and $580,035 primarily related to business development services, due diligence activities, strategic capital markets and corporate strategic financing advisory services.

Salaries and benefits increased by $32,290 and $169,356 during the three and nine months ended June 30, 2022, respectively, due to new management hires.

The increase in share-based compensation during the three and nine months ended June 30, 2022 by $159,149 and $1,093,836, respectively, was mainly due to the grant of new stock options and RSUs in the period.

Other items

During the nine months ended June 30, 2022, the Company recognized an unrealized gain on the fair value of the derivative of $573,000 related to the warrant component of the investment in Next Decentrum. During the three months ended June 30, 2022, an unrealized loss of $629,000 was recognized on the change in the fair value of the derivative.

The share component of the investment was recorded in OCI, and the Company recognized an unrealized fair value loss of $818,000 and gain of $595,000 during the three and nine months ended June 30, 2022, respectively.

Liquidity and Capital Resources

The Company manages liquidity risk by ensuring, as far as reasonably possible, that it has sufficient capital to meet working capital and operating requirements as well as its financial obligations and commitments. The Company has historically financed its operations and met its capital requirements primarily through debt and equity financings.

As of June 30, 2022, the Company had working capital of $1,216,987 (September 30, 2021 - $2,195,166) and cash and cash equivalents of $1,229,522 (September 30, 2021 - $2,508,857). The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of its creditors and the shareholders. There can be no assurance that funding from this or other sources will be sufficient in the future to continue its operations. Even if the Cloud Nine is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company.

The decrease in working capital of $978,179 was primarily due to additional equity investments made in Next Decentrum and investments in intangible assets and product development costs during the period. Net cash on hand decreased by $1,279,335 as at June 30, 2022 due to cash used in operating and investing activities of $994,423 and $374,302, respectively, offset by cash received from financing activities of $89,390.

Cash Flow Highlights

The table below summarizes the Company's cash flows for the nine months ended June 30, 2022 and 2021:

	2022	2021
	$	$
Cash used in operating activities	(994,423)	(4,078,777)
Cash used in investing activities	(374,302)	(662,012)
Cash provided by financing activities	89,390	7,526,507
(Decrease) increase in cash	(1,279,335)	2,785,718

Cash flow used for operations decreased for the nine months ended June 30, 2022 as the Company did not carry out marketing activities in the period.

Investing activities during the period were primarily attributable to the investments made in intangible assets product development costs and investment in shares and derivatives.

The Company generated cash of $89,390 from the exercises of warrants.

Contractual Obligations and Commitments

A summary of the Company's contractual obligations and commitments, which outlines the year the payments are due are as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years
	$	$	$	$
Accounts payable and accrued liabilities	199,229	199,229	-	-
Loans and borrowings	156,672	156,672	-	-
	355,901	355,901	-	-

Management is committed to raising additional capital to meet its financial obligations and commitments, fund its operations, growth initiatives and capital expenditures. The Company believes that its current capital resources will be sufficient to meet all of its immediate obligations for the next twelve months.

	June 30, 2022	September 30, 2021
	$	$
Cash and cash equivalents	1,229,522	2,508,857
Working capital	1,216,987	2,195,166
Current liabilities	355,901	706,071
Long term liabilities	-	51,800
Shareholders' equity	7,880,417	7,691,416

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

To achieve this objective, management adjusts its capital resources to respond to changes in economic conditions and risk characteristics of the underlying assets. The capital resources used for operations were mainly from loans and borrowings and proceeds from the issuance of common shares.

There are no third party working capital requirements, covenants or other similar restrictions. There were no capital expenditure commitments at the reporting date or the date of this MDA.

Off-Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements as at June 30, 2022, and as at the date of this MD&A, that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Transactions with Related Parties

During the three and nine months ended June 30, 2022, compensation to key management personnel included a salary to the CFO of $41,779 and $124,289, respectively (2021 - $50,000 and $73,846, respectively), salary to the CEO of $30,000 and $50,000 (2021 - $Nil) and share-based compensation of $36,703 and $375,122, respectively (2021 - $41,269 and $70,814, respectively).

During the three and nine months ended June 30, 2022, related party transactions included:

1. Shared rent, salary and office expenses of $21,000 and $51,000, respectively (2021 - $25,214 and $37,219, respectively) paid to a company with a common director and former officer.
2. Professional fees of $Nil (2021 - $7,500 and $22,500, respectively) paid to a company controlled by a director and former CFO of the Company.

As at June 30, 2022 and September 30, 2021, included in loans and borrowings was $100,000 due to a former director of the Company under a promissory note dated September 30, 2014. Pursuant to the promissory note, the loan is unsecured, non-interest bearing and due on September 30, 2015. The loan was extended to December 1, 2016, for a one-time interest charge of $20,000.

As at June 30, 2022 and September 30, 2021, included in accounts payable and accrued liabilities was $50,000 due to a director and former CEO of the Company for salaries.

All related party transactions were in the ordinary course of business and were conducted on terms substantially similar to arm's length transactions.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and associated assumptions are based on historical experience and other factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated for reasonableness and relevancy. Where revisions to accounting estimates are required, they are recognized in the period in which the estimates are revised for the current as well as future periods that are affected.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Intangible assets acquired through acquisition

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. The assessment required management to assess the inputs, processes and outputs of the company acquired at the time of acquisition. Whether an acquisition is classified as a business combination or an asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The Company estimated the value of its intangible assets based on the fair value of the equity instruments granted.

Estimated useful life of intangible assets

The useful life of intangible assets relates to the future performance of the assets and management's judgment of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite-life intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

Impairment of intangible assets

Judgment is required in determining whether intangible assets have indicators of impairment. Determining the amount of impairment of intangibles assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Fair value of investments and derivatives

The Company reviews its investments and records their fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price. For investments in private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects, financial ratios and discounted cash flows are techniques used to determine fair value. Where possible, the Company uses inputs obtained from observable market data for its valuation models. However, if observable market data is not available, the Company uses judgment to determine fair value.

The individual fair values attributed to the different components of a financing transaction such as investments in equity securities and derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; and (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Convertible debentures

The identification of convertible debenture components, financial liability and equity, is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of the Company's share price, expected life of options, rate of forfeiture of awards granted, changes in subjective input assumptions can materially affect the fair value estimate.

Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

New Accounting Pronouncements

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 clarify the requirements relating to determining whether a liability should be presented as current or non-current in the statement of financial position. Under the new requirements, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Financial Instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("**FVTPL**"), at fair value through other comprehensive income or loss ("**FVOCI**") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial assets is generally based on the business model in which the financial assets are managed and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognized in profit and loss. Transaction costs are expensed as incurred.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method; foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Financial liabilities at amortized cost	These are subsequently measured at amortized cost using the effective interest method. Other financial liabilities are derecognized, when the obligations are discharged, cancelled or expired.

Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets measured at amortized cost, and debt investments at FVOCI, the Company applies the expected credit loss model. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Convertible debentures

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds as a reduction to the carrying amount of the liability and equity component.

The liability component of the convertible notes was valued using Company specific interest rates assuming no conversion features existed. The resulting debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in convertible notes reserve as a separate component of shareholders' equity.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in theprincipal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

Financial instruments are measured at either fair value or amortized cost. The following table sets out the valuation methods used to determine fair value of each financial instrument:

Financial instruments	Fair value method
Measured at fair value	
Investments (FVOCI)	Recent share transactions (Level 2) or implied share price as at measurement date (Level 3)
Derivatives (FVTPL)	Black-Scholes option pricing model (Level 3)
Measured at amortized cost	
Cash and cash equivalents	Carrying amount (approximates fair value due to short-term nature)
Advance receivable	Carrying amount (approximates fair value due to short-term nature)
Accounts payable and accrued liabilities	Carrying amount (approximates fair value due to short-term nature)
Convertible debentures and short-term loans and borrowings	Carrying value discounted at the effective interest rate (Level 2)

During the period, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

Financial Instruments Risk

The Company is exposed to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

Risk management overview

The Company's activities are exposed to a variety of financial risks such as credit risk, liquidity risk and market risk. This section contains information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels.

(1) Credit Risk

Credit risk is the risk of a potential loss to the Company associated with a counterparty's inability to fulfill its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and other assets. The risk for cash and cash equivalents balances are mitigated by holding these instruments with highly rated and reputable Canadian financial institutions. The Company is exposed to credit risk from the promissory note (the "Note") under other assets which is currently in default, and negotiations for repayment are ongoing. Subsequent to June 30, 2022, a repayment of $50,000 was received leaving a Note balance of $200,000. As of June 30, 2022, the Company recognized a $31,445 (2021 - $Nil) provision for expected credit losses related to the interest receivable on the Note. See Note 4(a) to the Interim Financial Statements.

(2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities as they come due. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. As at June 30, 2022, the Company had a working capital of $1,216,987 (as at September 30, 2021 – $2,195,166). The Company is currently actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures. There is no assurance that the Company will be successful in these initiatives. The Company's capital expenditures mainly consist of the development of its technology platforms. Accounts payable and accrued liabilities are due within 90 days and loans and borrowings mature within 1 to 3 years.

(3) Market risk

Market risk is the risk that changes in the market related factors, such as interest rates and market prices, which will affect the Company's (loss) income or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at June 30, 2022, the Company did not have any financial instruments subject to significant interest rate risk.

(b) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's investments are susceptible to price risk arising from uncertainties about their future outlook, future values and the impact of market conditions. The fair value of investments and derivatives held in privately held companies is based on certain valuation techniques as outlined in Note 6 to the Annual Financial Statements. As at June 30, 2022, the Company did not have any financial instruments subject to significant price risk.

Other Risks and Uncertainties

The Company's business is subject to other risks and uncertainties that may have a material adverse effect on the Company's business, assets, liabilities, financial condition, results of operations, prospects, and cash flows and the future trading price of the common shares. Due to the nature of Cloud Nine's business, the legal and economic climate in which it operates and its present stage of development and proposed operations, Cloud Nine is subject to significant risks. For additional risk factors, please refer to the Company's AIF dated January 28, 2022.

Summary of Outstanding Share Data

As at the date of this MD&A, the Company had the following issued and outstanding securities:

Description of securities	Number of securities
Issued and outstanding common shares	67,872,653
Warrants	21,998,065
Stock options	3,725,000
RSUs	2,050,000
	95,645,718

Controls and Procedures

In connection with National Instrument 52-109 ("NI 52-109"), the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Interim Financial Statements and accompanying MD&A as at June 30, 2022 (together the "Interim Filings").

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls overfinancial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture companies are not required to provide representations in the Interim Filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains "forward-looking statements" or "forward-looking information" (collectively referred to hereafter as "forward-looking statements") within the meaning of applicable Canadian securities legislation.

All statements that address activities, events, or developments that Cloud Nine expects or anticipates will, or may, occur in the future, including statements regarding the plans, intentions, beliefs, and current expectations of the Company with respect to future business activities and operating performance. In some cases, forward-looking statements are preceded by, followed by, or include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "proposes", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking information is based on certain key expectations and assumptions made by the management of Cloud Nine, including, but not limited to:

- the Company's anticipated cash needs and its needs for additional financing;
- the Company's anticipated use of proceeds and business strategy;
- the Company's ability to protect, maintain and enforce its intellectual property;
- the Company’s future growth plans, including growth of its userbase;
- the Company's expectations with respect to advancement of its business, operations, products, and services, including its monetization strategies;
- the Company's ability to attract new customers and develop and maintain existing customers;
- the Company's competitive position;
- the COVID-19 pandemic and other global health pandemics and events that could substantially affect the Company’s business; and
- anticipated trends and challenges in the Company's business.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflect the Company’s expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although the management of Cloud Nine believes that the assumptions made and the expectations represented by such statements are reasonable, there can be no assurance that a forward-looking statement herein will prove to be accurate. Actual results and developments may differ materially from those contemplated by these statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of Cloud Nine to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: risks related to the Company’s business, financial position, financial performance, and cash flows; the impact on the business of broader economic factors; Cloud Nine's limited operating history and needs for additional capital; uncertainty relating to liquidity and capital requirements; risks inherent in Cloud Nine's acquisition strategy; Cloud Nine may not be able to obtain financing necessary to implement Cloud Nine’s business plan; reliance on key management; and compliance with financial reporting and other requirements as a public company. Additional risks and uncertainties applicable to the Company, as well as trends identified by the Company affecting it can be found in the Company's AIF dated January 28, 2022.

Although Cloud Nine has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, or intended.

Such cautionary statements qualify all forward-looking statements made in this MD&A. Except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Neither the Company nor any of its representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency, or completeness of the information in this MD&A. Neither the Company nor any of its representatives shall have any liability whatsoever, under contract, tort, trust or otherwise, to the reader or any person resulting from the use of the information in this MD&A by the reader or its representatives or for omissions from the information in this MD&A.