



**GlobeX Data**®  
Swiss Secure Cloud and Communications

**GLOBEX DATA LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FORM 51-102F1**

**FOR THE SIX MONTHS ENDED JUNE 30, 2019**

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**INTRODUCTION**

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of GlobeX Data Ltd. (the "Company" or "GlobeX") has been prepared by management, in accordance with the requirements of National Instrument of 51-102 as of August 26, 2019 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2019 and 2018 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"), the audited consolidated financial statements and the related MD&A for the year ended December 31, 2018 and 2017, and all other disclosure documents of the company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and [www.globexdatagroup.com](http://www.globexdatagroup.com).

All financial information in this report has been prepared in accordance with IFRS and all monetary amounts referred to herein, are in Canadian dollars, unless otherwise stated.

**FORWARD LOOKING INFORMATION**

This MD&A contains "forward-looking statements". Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements regarding:

- Anticipated levels of expenditures for the next twelve months;
- Expectations of ongoing relationships with reseller and partners;
- Timing of completion of software integrations and updates;
- Management's belief that we have sufficient liquidity to fund the Company's business operations during the next twelve months; and
- Strategy for customer retention, growth, product development, market position, financial results and reserves.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on management's current beliefs, expectations and assumptions regarding:

- the future of the Company's business;
- the success of marketing and sales efforts of the Company;
- the projections prepared in house and projections delivered by channel partners;
- the Company's ability to complete the necessary software updates;
- increases in sales as a result of investments software development technology;
- consumer interest in the Products;
- future sales plans and strategies;
- reliance on large channel partners and expectations of renewals to ongoing agreements with these partners;
- anticipated events and trends; and
- the economy and other future conditions;

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. The Company's actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Important risk factors that could cause the Company's actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: speculative nature of investment risk; history of operating loss; going-concern risk; the Company's reliance on resellers and other distribution channels to sell its products; dependency on large channel partners; dependency on key personnel; dependency on third parties; software bugs; competition; security threats; research and development; commitments; obsolescence; growth; dilution; unissued share capital; liquidity and future financing risk; market risk for securities; and increased costs of being a publicly traded company. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to, risks and uncertainties disclosed in this MD&A. See "Risk Factors".

These forward-looking statements are made as of the date of this MD&A and are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A (or as of the date they are otherwise stated to be made). Although the Company

has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

Investors are cautioned against placing undue reliance on forward-looking statements.

## **DESCRIPTION OF BUSINESS**

GlobeX Data Ltd. was incorporated under the Business Corporations Act (British Columbia) on March 1, 2017. Subsequent to June 30, 2019, the Company completed its initial public offering ("IPO"). The Company's common shares and tradeable warrants were listed on the Canadian Securities Exchange ("CSE") effective July 22, 2019 under the symbols "SWIS" and "SWIS.wt", respectively.

The Company's head office and principal address is located at Suite 900, 1021 West Hastings Street, Vancouver, BC and the registered and records office is located at Suite 704, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

The Company is the exclusive worldwide distributor and license holder of a full suite of secure cloud-based storage, document management, encrypted emails and secure communication tools, primarily DigitalSafe, PrivaTalk and Custodia (collectively, the "Products"). The Company primarily sells the Products through resellers and other distribution channels such as managed service providers, Internet service providers, and telecommunication companies. The Products, all of which are in a commercialization stage and are current in use by customers, were developed by GlobeX Data S.A., a privately held Swiss based cyber security and secure communications company ("GDSA") and licensed to the Company.

On May 7, 2017, the Company entered into a licensing agreement ("Global License Agreement") with GDSA to market/distribute the Products globally except in the U.S. and Canada. On March 29, 2018, the Company acquired 100% of the issued and outstanding securities of GlobeX Data, Inc. ("GlobeX US") via a securities purchase agreement whereby the shareholder of the Company received 25,000,000 common shares as consideration. GlobeX US has an exclusive license with GDSA to market/distribute the products in the U.S. and Canada.

Since 2014, the Company, through GlobeX US, primarily marketed the products to end users in North America. In 2017, the Company shifted to a global distribution model targeting established services providers with large customer bases ("Channel Partners"). These Channel Partners offer the Products to their existing consumer base as an add on to the consumers' existing subscriptions.

## **SIGNIFICANT EVENTS DURING THE CURRENT PERIOD AND AS AT THE DATE OF THIS REPORT**

In July 2019, the Company completed its IPO of 5,692,000 units at a price of \$0.25 per unit ("Unit") for gross proceeds of \$1,423,000. Each Unit is comprised of one common share and one tradeable warrant ("Warrant"). Each tradeable Warrant entitles the holder to purchase one additional common share at an exercise price of \$0.75 for three years from the date of closing of the IPO ("Closing"). The Company paid the agent a cash commission equal to \$113,840 and issued agent warrants to purchase a total of 455,360 common shares exercisable at \$0.25 for three years from Closing. The Company paid the agent a corporate finance fee of \$35,000 plus GST and incurred \$99,760 of deferred financing costs as at June 30, 2019 in relation to the IPO (December 31, 2018 - \$87,644). The Company's common shares and tradeable warrants were listed on the Canadian Securities Exchange ("CSE") effective July 22, 2019 under the symbols "SWIS" and "SWIS.wt", respectively.

In August 2019, the Company announced that it has begun its launch in Mexico of its DigitalSafe product at the FORO Telcel Empresas 2019 event held in Mexico City, Mexico. This was a two-day event on July 17, 2019 and July 18, 2019, held and sponsored by Telcel, the Mexico based wireless carrier division of America Movil, S.A.B. de C.V. (NYSE: AMX), GlobeX's leading telecom partner in Latin America. GlobeX entered into a Reseller License Agreement dated May 20, 2018 (the "Sercotel Agreement") with Sercotel S.A. de C.V. ("Sercotel"). Sercotel is a wholly owned subsidiary of America Movil S.A.B. de C.V. ("America Movil"). Under the terms of the Sercotel Agreement, Sercotel is granted a license to sell the Products to its customer base. This Sercotel Agreement extends to any of Sercotel's affiliates that sign a letter agreement permitting the affiliate to enter into the same contractual agreement with the Company as Sercotel (each a "Letter Agreement"). Radiomovil Dipsa, S.A. de C.V. and subsidiaries (Telcel) fall into the Sercotel Agreement. According to America Movil filings for Q2 2019 Telcel had a subscriber base of 75.994 Million subscribers. FORO Telcel Empresas is a national event taking place in the main cities in Mexico in Mexico City (CDMX), Guadalajara, Monterrey and Merida where most of the corporate clients of Telcel are concentrated. Telcel invites all customers from small and medium enterprises to large corporations to publicize the new launched services. GlobeX with its DigitalSafe service was

placed in the first section under "Security" with the full branding of DigitalSafe. In this event the Company was able to make itself known as a new service positioning itself as the only one that offers the most advanced levels of encryption in the industry in Mexico.

## **RESULTS OF OPERATIONS**

### ***For the six months ended June 30, 2019 and 2018***

#### ***Revenues***

The Company reported revenues of \$21,988 during the six months ended June 30, 2019 compared to revenues of \$10,272 during the six months ended June 30, 2018. The Company does not have any cost of sales associated with its revenues as their sales are from direct website purchases or the sales are provided net of any agreements with channel partners as the customers purchase the services from the channel partner.

#### ***Expenses***

The net loss for the six months ended June 30, 2019 was \$374,188 as compared to a net loss of \$749,764 for the six months ended June 30, 2018.

*Accounting and audit fees* for the six months ended June 30, 2019 was \$22,775 compared to \$14,000 for the six months ended June 30, 2018. The increase in accounting and audit fees is primarily due to the additional audit services related to the Company's IPO in the current period as compared to the same period of the prior year.

*Consulting fees* for the six months ended June 30, 2019 was \$28,514 compared to \$68,725 for the six months ended June 30, 2018. The decrease in consulting fees is primarily due to the reduction of consultants engaged in the current period as compared to the same period of the prior year.

*Office and administration* for the six months ended June 30, 2019 was \$24,587 compared to \$5,750 for the six months ended June 30, 2018. The increase in office and administration is a result of the increase in activities in GlobeX and GlobeX US in the current period as compared to the same period of the prior year.

*Share-based payments* for the six months ended June 30, 2019 was \$nil compared to \$206,818 for the six months ended June 30, 2018. During the period ended June 30, 2018, the Company granted 1,600,000 stock options calculated using the Black-Scholes option pricing model.

*Software maintenance* for the six months ended June 30, 2019 was \$267,346 compared to \$420,037 for the six months ended June 30, 2018. Software maintenance relates to invoiced amounts from GDSA for software maintenance and integration costs and varies period to period. As the Company engages significant distribution partners, GDSA has agreed to integrate the Products into the distribution partners software ecosystem. As a result, the Company must cover the IT costs related to the integrations.

### ***For the three months ended June 30, 2019 and 2018***

#### ***Revenues***

The Company reported revenues of \$12,446 during the three months ended June 30, 2019 compared to revenues of \$10,272 during the three months ended June 30, 2018.

#### ***Expenses***

The net loss for the three months ended June 30, 2019 was \$161,074 as compared to a net loss of \$501,438 for the three months ended June 30, 2018.

*Accounting and audit fees* for the three months ended June 30, 2019 was \$22,775 compared to \$14,000 for the three months ended June 30, 2018. The increase in accounting and audit fees is primarily due to the additional audit services related to the Company's IPO in the current period as compared to the same period of the prior year.

*Consulting fees* for the three months ended June 30, 2019 was \$14,247 compared to \$25,155 for the three months ended June 30, 2018. The decrease in consulting fees is primarily due to the reduction of consultants engaged in the current period as compared to the same period of the prior year.

*Office and administration* for the three months ended June 30, 2019 was \$15,846 compared to \$5,111 for the three months ended June 30, 2018. The increase in office and administration is a result of the increase in activities in GlobeX and GlobeX US in the current period as compared to the same period of the prior year.

*Share-based payments* for the three months ended June 30, 2019 was \$nil compared to \$206,818 for the three months ended June 30, 2018. During the period ended June 30, 2018, the Company granted 1,600,000 stock options calculated using the Black-Scholes option pricing model.

*Software maintenance* for the three months ended June 30, 2019 was \$96,937 compared to \$235,037 for the three months ended June 30, 2018. Software maintenance relates to invoiced amounts from GDSA for software maintenance and integration costs and varies period to period. As the Company engages significant distribution partners, GDSA has agreed to integrate the Products into the distribution partners software ecosystem. As a result, the Company must cover the IT costs related to the integrations.

## **SUMMARY OF SELECTED HIGHLIGHTS FOR THE LAST EIGHT QUARTERS**

Description	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net loss	(161,074)	(213,114)	(299,727)	(237,001)
Basic loss per share	(0.00)	(0.00)	(0.01)	(0.01)

  

Description	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Net loss	(501,438)	(248,326)	(228,644)	(108,768)
Basic loss per share	(0.01)	(0.02)	(0.04)	(0.02)

During the three months ended June 30, 2018 the Company recorded share-based payments of \$206,818.

## **LIQUIDITY AND SOLVENCY**

At June 30, 2019, the Company had a working capital surplus of \$184,475 and cash of \$143,644.

In March 2019, the Company issued 1,471,600 common shares in a private placement at a price of \$0.25 per share for proceeds of \$367,900.

In July 2019, the Company completed its IPO of 5,692,000 units at a price of \$0.25 per unit (“Unit”) for gross proceeds of \$1,423,000. Each Unit is comprised of one common share and one tradeable warrant (“Warrant”). Each tradeable Warrant entitles the holder to purchase one additional common share at an exercise price of \$0.75 for three years from the date of closing of the IPO (“Closing”). The Company paid the agent a cash commission equal to \$113,840 and issued agent warrants to purchase a total of 455,360 common shares exercisable at \$0.25 for three years from Closing. The Company paid the agent a corporate finance fee of \$35,000 plus GST and incurred \$99,760 of deferred financing costs as at June 30, 2019 in relation to the IPO (December 31, 2018 - \$87,644).

The Company’s future capital requirements will depend upon many factors including, without limitation, the success of its marketing and distribution channels. The Company has limited capital resources and has to rely upon the sale of equity securities for cash required for marketing the products, paying for software maintenance and development, and to fund the administration of the Company. Since the Company does not expect to generate any substantial revenues from operations in the immediate future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all. See “Risk Factors”.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

## **OUTSTANDING SHARES, STOCK OPTIONS, AND WARRANTS**

As at the date of this report, the Company had the following outstanding:

- 52,420,282 common shares.

- Stock options

Number of Options	Exercise Price (\$)	Expiry Date
1,600,000	0.25	April 30, 2023
1,600,000		

- Warrants

Number of Warrants	Exercise Price (\$)	Expiry Date
5,692,000	0.75	July 22, 2022
455,360	0.25	July 22, 2022
6,147,360		

## RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the period ended June 30, 2019, the Company incurred \$6,000 (2018 - \$30,000) in consulting fees to a company controlled by a common director.

During the period ended June 30, 2019, the Company incurred \$10,975 (2018 - \$nil) in accounting fees to an accounting firm in which an officer of the Company is a partner. As at June 30, 2019, there was \$nil (December 31, 2018 - \$29,006) owing to this firm. This balance is unsecured, non-interest bearing and has no fixed terms of repayment.

During the year ended December 31, 2018, the Company granted 1,500,000 stock options with a fair value of \$193,890 to officers and directors of the Company.

On May 7, 2017, the Company entered into a license agreement with GlobeX Data S.A., which has a common director, in which the Company obtained the right to market Secure Cloud Storage and Secure Communications Solutions to companies and individuals. During the period ended June 30, 2019, the Company paid software maintenance of \$56,299 (2018 - \$420,037) to GlobeX Data S.A.

On March 30, 2018, the Company acquired all of the issued and outstanding shares of GlobeX Data, Inc. which has a common director.

## RECENT ACCOUNTING POLICIES

Please refer to the June 30, 2019 condensed interim consolidated financial statements on [www.sedar.com](http://www.sedar.com).

## FINANCIAL INSTRUMENTS

Please refer to the June 30, 2019 condensed interim consolidated financial statements on [www.sedar.com](http://www.sedar.com).

## **PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim consolidated financial statements and the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue 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 NI52-109.

## **MANAGEMENT'S RESPONSIBILITY OF FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

## **OTHER MD&A REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS AND UNCERTAINTIES**

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this MD&A, before making any decision to invest in the Company. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the common shares could decline, and investors may lose all or part of their investment.

### ***Speculative Nature of Investment Risk***

An investment in the common shares of the Company carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and early commercialization stage. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

### ***Negative Cash Flow from Operating Activities***

The Company has had negative cash flow from operating activities since inception. Significant capital investment will be required to achieve the Company's existing plans. There is no assurance that the Company's business will generate earnings, operate profitably or provide a return on investment in the near future. Accordingly, the Company may be required to obtain additional financing in order to meet its future cash commitments.

### ***History of Operating Losses***

The Company has a history of operating losses and may not sustain profitability. The Company cannot guarantee investors that it will become profitable, and even if the Company achieves profitability, given the competitive and evolving nature of industry in which it operates, the Company may not be able to sustain or increase profitability and its failure to do so could adversely affect its business, including its ability to raise additional funds.

### ***Going-Concern Risk***

The Company's financial statements have been prepared on a going concern basis under which the entity is considered to be able to realize its assets and liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability.

### ***Dependency on Large Channel Partner***

Sercotel S.A. de C.V., ("Sercotel") is the Company's flagship Channel Partner. Under the terms of the Company's agreement with Sercotel, Sercotel may terminate the relationship without cause. If Sercotel were to terminate its relationship, it would have a significant negative effect on the viability of the Company. If Sercotel were to terminate its relationship and the Company is unable to find an alternate Large Channel Partner, the Company's business may fail and shareholders may lose their investment.

### ***Dependency on Key Personnel***

Alain Mehdi Ghiai-Chamlou, the Company's Chief Executive Officer and Director, exercises significant control over the day to day affairs of the Company. The Company depends on Mr. Ghiai-Chamlou to engage with third parties and contractors to operate the business. If Mr. Ghiai-Chamlou were to leave the Company or were otherwise unable to perform his duties, the Company's business may fail and shareholders may lose their investment.

### ***Dependency on Third Parties***

The Company is dependent on GDSA to develop and maintain the Products. As a result, the Company has limitations on its ability to implement any changes to the Products. If GDSA were to fundamentally change the Products or halt development, the business of the Company would be negatively affected. A failure or disruption in these services could materially and adversely affect the Company's ability to manage its business effectively.

The Company relies on third parties for certain essential financial and operational services. Traditionally, the vast majority of these services have been provided by large enterprise software vendors who license their software to customers. However, the Company receives many of these services on a subscription basis from various software-as-a-service companies that are smaller and have shorter operating histories than traditional software vendors. We depend upon these vendors to provide us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, and any failure by these vendors to do so, or any disruptions in networks or the availability of the internet, would adversely affect the Company's ability to operate and manage its operations.

### ***Defective Software***

The Products may contain undetected errors, defects or bugs. Further, the Products may have errors, defects or bugs that result from upgrades and updates to the Products or updates and upgrades to third party software providers or operating systems. Although the Company has not suffered significant harm from any errors, defects or bugs to date, the Company may discover significant errors, defects or bugs in the future that it may not be able to correct or correct in a timely manner. It is possible that errors, defects or bugs will be found in the Company's software products and related services with the possible results of delays in, or loss of market acceptance of, the Company's products and services, diversion of its resources, injury to its reputation, increased service and warranty expenses and payment of damages.



### ***Intense Competition***

The market for cloud content management services is fragmented, rapidly evolving and highly competitive, with relatively low barriers to entry for certain applications and services. Many of the Company's competitors and potential competitors are larger and have greater name recognition, substantially longer operating histories, larger marketing budgets and significantly greater resources than the Company. Our competitors include, but are not limited to, Microsoft, Google, Amazon and Dropbox. With the introduction of new technologies and market entrants, it is expected that competition will continue to intensify in the future. In addition, pricing pressures and increased competition generally could result in reduced sales, lower margins, losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm the Company's business.

Many of the Company's competitors can devote greater resources to the development, promotion and sale of their products or services. In addition, many of our competitors have set up marketing relationships and major distribution agreements with channel partners, consultants, system integrators and resellers. Moreover, many software vendors could bundle products or offer them at lower prices as part of a broader product sale or enterprise license arrangement. Some competitors may offer products or services that address one or several business execution functions at lower prices or with greater depth than the Company's services. As a result, competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements. Furthermore, some potential customers, particularly large enterprises, may choose to develop their own internal solutions. For any of these reasons, the Company may not be able to compete successfully against our current and future competitors.

### ***Security Threats***

The Products involve the storage of large amounts of our customers' sensitive and proprietary information across a broad industry spectrum. Cyber attacks and other malicious internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based content collaboration services have been targeted in the past. These increasing threats are being driven by a variety of sources including nation-state sponsored espionage and hacking activities, industrial espionage, organized crime and hacking groups and individuals. As the Products become more widely known and recognized and used in more heavily regulated industries such as healthcare, government, life sciences, and financial services where there may be a greater concentration of sensitive and protected data, the Company may become more of a target for these malicious third parties.

If an actual or perceived security breach occurs, the market perception of the effectiveness of the Company's security measures could be harmed, the Company could be subject to indemnity or damage claims in certain customer contracts, and the Company could lose future sales and customers, any of which could harm its business and operating results.

### ***Research and Market Development***

Although the Company is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

### ***Commitments***

The Company provides service level commitments under its service agreements. Failure to meet these contractual commitments could obligate the Company to provide credits or refunds for prepaid amounts related to unused subscription services or face subscription terminations, which could adversely affect our revenue. Furthermore, any failure in our delivery of high-quality customer support services may adversely affect our relationships with our customers and our financial results.

### ***Obsolescence***

Maintaining a competitive position requires constant growth, development and strategic marketing and planning. If the Company is unable to maintain a technological advantage, the Issuer's ability to grow its business will be adversely affected and its products may become obsolete compared with other technologies.

### ***Growth***

The Company expects to expand its operations by increasing its sales and marketing efforts, research and development activities, and escalating its services. The anticipated growth could place a significant strain on its management, and operational and financial resources. Effective management of the anticipated growth shall require expanding its management and financial controls, hiring additional appropriate personnel as required, and developing additional expertise by existing management personnel. However, there

can be no assurances that these or other measures it may implement shall effectively increase its capabilities to manage such anticipated growth or to do so in a timely and cost-effective manner. Moreover, management of growth is especially challenging for a company with a short revenue generating history and limited financial resources, and the failure to effectively manage growth could have a material adverse effect on its operations.

### ***Substantial Number of Authorized but Unissued Shares***

The Company has an unlimited number of Common Shares that may be issued by the Board of Directors without further action or approval of the Company's shareholders. While the Board of Directors is required to fulfill its fiduciary obligations in connection with the issuance of such shares, the shares may be issued in transactions with which not all shareholders agree, and the issuance of such shares will cause dilution to the ownership interests of the Company's shareholders.

### ***Dilution***

The financial risk of the Company's future activities will be borne to a significant degree by purchasers of the common shares. If the Company issues common shares from its treasury for financing purposes, control of the Company may change and purchasers may suffer additional dilution.

### ***Liquidity and Future Financing Risk***

The Company is in their development stage and has not generated a significant amount of revenue. The Company is likely to operate at a loss until business becomes established and the Company may require additional financing in order to fund future operations and expansion plans, including developing new products, enhancing existing products, enhancing operating infrastructure and acquiring further licenses. The Company's ability to secure required financing to sustain operations will depend upon prevailing capital market conditions, as well as business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuing common shares in authorized capital, control may change, and shareholders may suffer additional dilution.

### ***Current Market Volatility***

The securities markets in Canada and the United States have recently experienced a high level of price and volume volatility, and the market prices of securities of many companies 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. It may be anticipated that any market for the common shares will be subject to market trends generally, notwithstanding any potential success of the Company.

### ***General***

Although management believes that the above risks fairly and comprehensibly illustrate all material risks facing the Company, the risks noted above do not necessarily comprise all those potentially faced by the Company as it is impossible to foresee all possible risks.

Although the Directors will seek to minimise the impact of the risk factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult a person who specialises in investments of this nature before making any decision to invest.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.