

ZeU Technologies Inc.
MANAGEMENT DISCUSSION AND ANALYSIS
TWELVE MONTHS ENDED DECEMBER 31, 2021

Date prepared: February 28, 2022

The following Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") for ZeU Technologies Inc. ("Company") should be read in conjunction with the Company's condensed consolidated interim financial statements for the twelve months ended December 31, 2021, and the audited financial statements for the year ended December 31, 2020. Those financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All currency amounts are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements with respect to the Company. By their very nature, these forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated. The Company considers the assumptions upon which these forward-looking statements are based to be reasonable but cautions the reader that these assumptions regarding future events, many of which are beyond the Company's control, may ultimately prove to be incorrect.

2021 HIGHLIGHTS

On **February 4, 2021**, ZeU created a new subsidiary ZeUPay Inc. through which it subsequently acquired all of the issued and outstanding shares of Prego International Group AS.

On **July 29, 2021**, ZeU created a new subsidiary ZeU Gaming Inc. ("ZeU Gaming").

In **August 2021**, ZeU Gaming and MoneyLine Sports Inc. ("MoneyLine") entered into a share purchase agreement to acquire all of the issued and outstanding shares of MoneyLine.

On **September 27, 2021**, the Share Purchase Agreement with MoneyLine was undone. No securities were issued in relation to this proposed transaction.

OVERVIEW

ZeU Crypto Networks Inc. ("ZeU") was incorporated under the Canadian Corporation Act on **January 4, 2018**, as a subsidiary of St-Georges Eco-Mining Corp. ("St-Georges"), a publicly-traded corporation listed on the Canadian Securities Exchange ("CSE") under the trading symbol "SX".

In **May 2018**, St-Georges signed an Arrangement Agreement providing for the spin-out of ZeU with the intent of listing the Company on the CSE.

On **December 24, 2019**, the CSE accepted the listing of the common shares of ZeU, and the Company started trading on the CSE on **December 30, 2019**, under the trading symbol "ZEU".

As of December 31, 2021, the Company held 151,751 (2020 - 151,751) shares to be distributed to certain St-Georges shareholders at a later date, and St-Georges retained 10,136,191 (2020 - 8,750,175) shares of ZeU.

The Company is a forward-thinking Canadian technology company that provides the foundation for the next generation of private and secure communication. The Company's technology maximizes transparency,

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security, and scalability as well as big data management. The Company's strategy is to monetize Peer-to-Peer and blockchain distributed ledger technology transactions in diverse sectors such as payment, gaming, data, and healthcare.

During the period ended December 31, 2021, the Company changed its fiscal year end from December 31 to March 31. The change in fiscal year end is effective December 31, 2021, and this MD&A is prepared for the transitional fiscal period for the twelve months ended December 31, 2021, with comparative information for the year ended December 31, 2020.

DESCRIPTION OF BUSINESS

The Company's product development strategy is simple: patents – projects - partners. The Company has been working on a series of interconnecting technological patents. The focus of these patents is primarily on innovations that can be quickly commercially deployed. The Company uses these patents to create marketable products for communication, gaming, and payments and has conducted tests on potentially patentable new applications and smart contract improvements for applications in the gaming industry. The Company then cooperates with other already-deployed ecosystems to distribute and promote cutting-edge, peer-to-peer, distributed ledger products.

PATENTS

In **October 2018**, the Company filed a provisional patent titled "Biocrypt Digital Wallet" with the US Patent Office. The invention is a newly designed biometric digital wallet allowing the cold storage of cryptocurrencies.

In **December 2018**, the Company filed a provisional patent titled "System and Method for Augmenting Database Applications with Blockchain Technology" with the US Patent Office. The application developed by the Company and related to this invention patent provides a migration method that allows a database application that accesses a local database to be synchronized with a blockchain. The invention is protocol-agnostic, and the management believes that it could be used as a gateway to share data between applications using different protocols.

In **January 2019**, the Company filed a provisional patent titled "A Method for Generating Random Numbers in Blockchain Smart Contracts," with the US Patent Office relating to a distributed and decentralized random number generation method. This method ensures that it is impossible to manipulate the random number seed or the block content. Initially developed to address issues with gaming applications, the technology will also be deployed for testing with partners to create fundamentally more secure financial transactions. The technology can also be applied wherever impartiality is required: double-blind medical trials, computer-simulated training, random sampling for quality assurance, even a military draft.

On **March 3, 2019**, the Company filed a provisional patent titled "Blockchain-Based Secure Email System" with the US Patent Office. A complete blockchain email system supports both internal and cross-chain emails with the potential to interact with non-blockchain email systems. Through this method, as long as the sender or the recipient of the email is a blockchain mailbox, the email information will be recorded in the blockchain to ensure the email's authenticity. Moreover, when blockchain mailboxes exchange messages, the email information will be encrypted and stored in distributed storage; only the recipient can obtain the unique cipher key and storage location of the email, thereby ensuring the security of email transmissions.

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On **August 8, 2019**, the Company filed a provisional patent titled “A method and system to complete cross-chain transactions” with the US Patent Office for its Cross-Chain Atomic Swaps & Contract-less Distributed Ledger Applications Interoperability, the augmented engine and structure of the Company’s Internet of Blockchain. The engine is agnostic to any and all blockchain protocols currently on the market or expected in the future.

On **August 18, 2019**, the Company filed a provisional patent application titled “A Method and System for a Transactional Decentralized Communication Protocol Infrastructure (using the Company’s Cross-Chain Multi-Chain Atomic Swap)” with the US Patent Office for a New Internet Communication Protocol. The protocol will enable a smoother transition of legacy systems into the distributed digital economy, or Web 3.0. This patent describes a method to create a highly scalable, smart contract-less communication protocol, much like TCP/IP, using distributed consensus, an atomic transaction framework, Unspent Transaction Output (UTXO), and a Byzantine Fault Tolerance standard. This protocol leverages the cross-chain, multi-chain particularities of the Company’s Atomic Swap.

In **October 2019**, the Company filed a provisional patent titled “Method and system for distributed data real-time backup and recovery based on blockchain” with the US Patent Office. Based on blockchain technology, the data stored can never be altered. With no central node, the system displays none of the vulnerabilities of traditional backup methods. All historical data changes are recorded, allowing users to restore data to a specified data snapshot. Compared to conventional data backup and recovery, this method combines real-time performance, security, and reliable data storage while being flexible enough to handle even difficult requirements. The solution and a recorded demo will be released in an on-premise solution comprising a dashboard and licensed software.

On **December 5, 2019**, the Company filed a new provisional patent titled “Method and System for Converting Database Applications into Blockchain Applications” with the US Patent Office. The new IP provides a convenient method for combining traditional applications with blockchain technology. This method does not require any modifications to existing applications. Multiple applications on different nodes can automatically perform global data consensus to prevent data conflicts. Each node monitors the blocks on the blockchain and synchronizes the data back to the database. In the case of conflicting or illegal data, the data can not pass consensus and synchronize with the other nodes in the blockchain. The local nodes automatically roll back when detecting invalid data.

On **January 14, 2020**, the Company filed a provision patent titled “Symmetric Asynchronous Generative Encryption” with the US Patent Office. The Company’s encryption team has completed the testing of its new symmetric asynchronous generative encryption or SAGE, a ground-breaking post-quantum encryption algorithm. The development of the algorithm was spearheaded by a joint team of shared resources between the Company and vSekur. As a result of the joint effort, the Company will issue a perpetual license to vSekur. The mechanics of the license and the mutual royalties are being negotiated. The algorithm uses random number generation, currently the Company’s patented RNG, a code, and an encryption key to ensure the security of data. Furthermore, the key mutates every time it is used, always keeping data ahead of decryption. In addition, it does all this without sacrificing performance.

On **May 21, 2021**, the Company filed a provision patent titled “Method and System for Safe Custody of Private Data Using Blockchain” with the US Patent Office. The invention tackles the problem of lost private keys resulting in users being locked out of their accounts. The solution provides a method for reliably restoring access to lost keys by storing data fingerprints and keys on blockchain while building a safe deposit box for data.

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On **August 23, 2021**, the Company filed a provision patent titled “Permission-based multi-level encryption scheme document for decentralized storage” with the US Patent Office. The invention is in the field of distributed cloud computing and the internet of things, or IoT, and will compete with cutting-edge cloud storage technologies. The patent describes a method for structuring a document in a granular fashion such that each block of granularity is encrypted based on a permission level and that each block could be decrypted by the participant(s) it was aimed to address. The patent covers elements already integrated into the Mula platform that will add IoT functionalities.

MULA PLATFORM AND MULAMAIL

In **February 2020**, the first alpha build of the Mula Platform was completed. The Mula Platform, comprised of MulaMail and the suite of related applications, is the Company’s flagship application. MulaMail uses ZeU’s patented technology to ensure a private communication experience allowing users to determine which information, if any, is sold to third parties. MulaMail will be available in three classes, Freemium, Premium, and Enterprise Solutions. MulaMail Freemium aims to marry email and marketing by allowing corporations to buy targeted marketing campaigns. Users will engage with marketing campaigns in exchange for vouchers that can be redeemed against products and services. MulaMail Premium will allow users to opt out of marketing campaigns for a low monthly fee but retain the benefits of blockchain email. MulaMail Enterprise Solutions will be for organizations that desire the benefits of blockchain email without the marketing influence and will include the option for modules specifically of interest to businesses.

In **April 2020**, planning started on the Enterprise Solution application of the Mula Platform, specifically a virtual office suite. Planning was also started for a BaaS connector to allow third-party developers to connect their applications to the platform. Subsequent design analysis allowed for an expansion of the original vision for Mula, including addressing significant challenges pertaining mostly to third-party email interaction, integration of ZeUPay functionalities, offline access, corporate employer auditing, and significant elements of legal intercept obligations.

In **December 2020**, the Company announced it had completed the Mula Platform’s redesign. The Mula Platform, engineered around the core MulaMail application, was completely redesigned over the course of five months. Like the “Legal Intercept”, certain obligations were impossible to meet due to a bulletproof security design. These obligations challenged some basic concepts at the core of the technology and forced the designers and engineering team to propose fundamental changes. Other challenges pertaining mostly to third-party email interaction, integration of ZeUPay functionalities, offline access, and corporate employer auditing have been resolved. The resulting solutions represent a generational shift in the way people should use blockchain as the basis for communications. Furthermore, the efforts have resulted in a significant sum of intellectual property, which should give way to half a dozen new patentable functions. At this point, the Mula Platform has officially split into non-commercial and commercial designations. Mula Black is a non-commercial variant with restricted usage. Mula Purple is the commercial variant. Additionally, several new functionalities were introduced. The redesigned and redefined Mula Platform covers more domain than the previous iteration. It has also been further opened to third-party applications, the community, and open-source efforts. The core Mula development team continues to grow with the addition of functional teams on an as-needed basis.

In **March 2021**, major encryption and security changes were tested, and the coding of an alpha version of this element of the Mula platform was completed. The management evaluated the possibility of filing additional patents regarding these important improvements.

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In **May 2021**, stemming from the Mula redesign, the Company filed a provision patent titled “Method and System for Safe Custody of Private Data Using Blockchain” with the US Patent Office. For more information, please see the patent section of this document.

In **August 2021**, stemming from the Mula redesign, the Company filed a provision patent titled “Permission-based multi-level encryption scheme document for decentralized storage” with the US Patent Office. For more information, please see the patent section of this document.

In **August 2021**, the Company launched the mula.education website with the twin goals of educating the public on the Mula platform’s encryption methods and educating and inspiring young minds to pursue careers in STEM. The website allows users to practice the encryption methods used in the Mula Platform.

GAMING INITIATIVE

In **June 2020**, the Company deployed four categories of blockchain-based games on the EOS Testnet network to collect data for the following 90 days. The generated dataset is a requirement for most of the Company’s clients currently in operation or in the process of obtaining regulated gaming licenses. The four games being deployed are dice, lottery, auction and slot.

In **early 2021**, the test period for gathering data on the usage and behavior related to the blockchain gambling games deployed on the EOS Testnet was completed. No difficulties were encountered. The data will be compiled for delivery to the relevant gaming regulators. The development of a full suite of peer-to-peer (P2P) casino games is also underway, including skills games and smart contract components that will allow users to create their own gaming and gambling offers. A number of MulaPay certified functions will be available in the Mula Platform, allowing users to create customized and personalized P2P gambling offerings within their contacts. This will allow users, within a few clicks, to create a smart-contract sports pool for followers of social media platforms, work colleagues, friends, etc. Participation and payout will be automated via the automatic smart contract built with the Mula Smart Contract Builder.

In **April 2021**, the first wave of P2P gaming offerings began preparation to go live. The Company expects its partner network, Kamari, to go live with the Auction Lottery based on the Company’s patent-pending Random Number Generator.

In **November 2021**, the Company announced that a first online gaming company had completed production testing of one of its games developed in partnership with KamPay. The dice game will be operated by MJ Global, owner of the PlayMoon.io website. Players will be able to play the game using KamPay tokens. According to the JV agreement between the two companies, token transactions will be automated for payouts and fees after a short live testing period following the soft launch.

In **January 2022**, the Company announced advancements in the design of the Peer-to-Peer Casino. Players passively holding or staking gaming tokens in their wallets will be sharing the expected revenue stream of the P2P Casino.

BANKING INITIATIVE

In **January 2022**, the Company announced that strategic planning discussions with custodial and banking partners were completed. The discussions covered the potential parallel deployment of the Company’s decentralized banking platform now headed for production coding.

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PARTNERSHIPS & AGREEMENTS

BOREALIS DERIVATIVES DEX EHF.

In the year ending December 31, 2020, the development of the Borealis Derivative Marketplace accelerated. The Company has developed a basic distributed exchange (DEX) platform for Borealis Derivatives DEX ehf.

PREGO INTERNATIONAL GROUP AS

On **December 21, 2018**, the Company executed an agreement with Prego International Group AS (“Prego”) to develop and integrate certain proprietary technologies in a Global Multi Payment and E-Money Services Platform. Prego is a global payment solution provider based in Norway that develops and operates a range of payment services for partners and clients worldwide, including Everyday Digital.

On **September 28, 2020**, the Company entered into an arm’s length binding letter of intent with Prego and its majority shareholder to acquire all of Prego’s outstanding securities.

On **February 8, 2021**, the Company executed the definitive agreement to acquire all of the issued and outstanding shares of Prego through ZeUPay Corp. (“ZeUPay”), a wholly-owned subsidiary of ZeU, for a total consideration of \$8,125,000, pursuant to the terms of the share exchange agreement entered into between the Company, ZeUPay, and Roxer NUF, the sole shareholder of Prego. Both Roxer NUF and Prego are arm’s length private corporations incorporated under the laws of Norway.

Under the terms of the agreement, the consideration of \$8,125,000, which shall be paid and satisfied as follows:

- a) Issuance of 2,500,000 common shares of the Company at a deemed price of \$0.25 for an aggregate price of \$625,000;
- b) The issuance of \$7,500,000 aggregate principal amount of convertible debentures of ZeUPay; and
- c) The issuance of 7,500,000 non-transferable share purchase warrants of the Company, each entitling the holder to acquire one common share of the Company at a price of \$0.90 per share for a period of 12 months from the closing of the transaction, or at a price of \$1.50 for a period of 12 months from the closing date.

ZeUPay was incorporated on February 4, 2021. ZeUPay will bring custodial and legacy banking support for the Mula Platform as well as ZeU’s other DeFi and Gaming initiatives. It will offer default legacy KYC and AML coverage for a suite of initiatives without limiting the possibilities to bring third-party augmented compliance offerings for which the Company is actively seeking commercial partnerships.

On **March 1, 2021**, the Company issued 2,500,000 shares at a fair value of \$625,000, issued 7,500,000 warrants, and issued \$7,500,000 convertible debentures of ZeUPay for the acquisition of Prego. In connection with and on the closing of the Acquisition, Ronald Eriksen was appointed to the Company’s board of directors. Mr. Eriksen is the founder and conceptual developer of Prego’s business concept and has 20 years of previous sales and marketing experience within leading global IT companies, mobile telecommunications, and internet service providers. He developed Prego’s business concept with financial inclusion operations, cross-border payment channels, and general fintech market development. Prego

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changed its name to ZeUPay AS when the transaction was completed.

In **August 2021**, the Company announced that policy developments from major credit cards issuers had created a situation that might require ZeUPay to be operated at arm's length from the core business of ZeU. The Company has been advised that the Mula platform will be required to be open to competing payments solutions from ZeUPay competitors. The situation does not affect the relationship between the ZeU related entities. However, it is forcing management to consider alternative ownership options. The Company will be considering various scenarios in the coming weeks, including but not limited to the sale of a portion of ZeUPay's equity or a going public transaction via a plan of arrangements and distribution of shares to its shareholders.

In **January 2022**, the Company announced that significant strides were made with most of the required strategic planning discussions with custodial and banking partners were completed.

KAMARI LTD

On **November 13, 2019**, the Company executed a joint venture agreement with Kamari Limited ("Kamari") of Malta for the joint development and deployment of lotteries and gaming offerings in Africa ("JV Co."). Under the terms of the JV Co., both parties agreed to invest up to Euro 50,000. The Company agreed, among other things, to grant JV a non-exclusive license to its technologies in exchange for a 30% interest in JV Co. Kamari agreed to provide JV Co. with support in accessing online lottery markets exchange for a 70% interest in JV Co. As of December 31, 2021, the JV Co. with Kamari Limited remains inactive.

On **November 13, 2019**, the Company completed a 12% unsecured convertible debentures financing for an aggregate principal amount of \$7,834,000, subscribed in consideration of digital assets, consisting of 24,000,000 Kamari("KAM"), at a deemed value of \$0.326 each.

On **March 31, 2021**, the Company exercised its option to repay an equivalent of \$500,000 of debentures and pay all accrued interest representing \$661,834 for a total of \$1,161,834 using 3,336,564 KAM tokens to complete the transaction.

On **November 11, 2021**, the Company announced that a first online gaming company had completed production testing of one of its games developed in partnership with KamPay. The dice game will be operated by MJ Global, owner of the PlayMoon.io website. Players will be able to play the game using KamPay tokens. According to the JV agreement between the two companies, token transactions will be automated for payouts and fees after a short live testing period following the soft launch.

MONEY LINE SPORTS INC.

On **May 4, 2021**, the Company entered into a letter of intent with MoneyLine, a licensed platform and provider of streaming sports content, to acquire all of its outstanding securities.

On **August 11, 2021**, the Company, ZeU Gaming, MoneyLine and the shareholders of MoneyLine entered into a share purchase agreement, pursuant to which ZeU Gaming would acquire all of the issued and outstanding shares of MoneyLine for a total consideration of \$1,501,500, payable as follows:

- i. CDN\$250,000 principal amount of convertible debentures of ZeU Gaming.
- ii. 1,500,000 non-transferable common share purchase warrants at a price of \$0.91 for a period

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of 24 months following the Closing Date.

- iii. Up to CDN\$1,250,000 in milestone bonuses.

On **August 20, 2021**, the Company loaned MoneyLine the sum of \$25,000 under a Promissory Note. The Note is payable within 30 days of written notice of demand.

On **September 24, 2021**, the Company did not complete the due diligence required to finalize the transaction and received notice from MoneyLine of their intent to withdraw from the proposed transaction. The Share Purchase Agreement with MoneyLine was undone. No securities were issued.

RESULTS OF OPERATIONS

For the period ended December 31, 2021, the Company recorded a net loss of \$3,838,084 (2020 - \$9,504,212), and had accumulative deficit of \$20,780,031 (2020 - \$16,941,947).

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the prior two fiscal years.

For the year ended December 31	2020	2019
	\$	\$
Cash	1,944	62,673
Digital assets	-	6,884,765
Working capital (deficiency)	(5,166,513)	(1,259,428)
Total assets	16,944	6,951,647
Shareholders' equity (deficiency)	(9,419,731)	(1,044,336)
Revenue	354,860	-
Net loss and comprehensive loss for the year	(9,504,212)	(3,025,675)
Basic and diluted loss per share	(0.39)	(0.15)

Year ended December 31, 2020:

The Company recorded development services revenue of \$354,860 for services provided to a subsidiary of St-Georges, a shareholder of the Company. The Company incurred a net loss of \$9,504,212 in 2020. Operating expenses were \$2,393,115, and the Company recorded an unrealized loss on digital assets of \$6,881,396 as the Kamari tokens were currently not trading. Therefore, a fair value could not be determined, resulting in a \$nil value assigned to them. The Company still has the contractual right to repay the related convertible debt of \$3,904,516 plus any accrued interest with the Kamari tokens, which would result in a reversal of the impairment at that time.

Year ended December 31, 2019:

The Company had no revenue. The Company incurred a net loss of \$3,025,675 in 2019. Operating expenses were \$3,173,677. The Company recorded an unrealized gain on digital assets of \$392,865 due to the general change in digital assets in the market, loss on sale of marketable digital assets of \$72,124, gain on payment with marketable digital assets of \$6,010, and loss on fair market value change in derivative liability of \$178,749.

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SUMMARY OF QUARTERLY RESULTS

The following table outlines selected unaudited financial information of the Company for the last eight quarters.

	<i>Dec.31,</i> <i>2021</i>	<i>Sept.30,</i> <i>2021</i>	<i>Jun.30,</i> <i>2021</i>	<i>Mar.31,</i> <i>2021</i>
Total assets	13,685,663	13,897,972	13,979,779	14,516,214
Working capital (deficiency)	(8,276,982)	(4,804,887)	(4,171,766)	(3,422,589)
Long term debt	(5,209,749)	(8,117,434)	(7,657,429)	(7,105,381)
Shareholders' equity (deficiency)	(1,674,434)	(1,106,428)	74,667	1,098,542
Revenue	-	-	-	-
Net income (loss)	(1,333,757)	(1,069,805)	(1,971,674)	537,152
Net income (loss) per share	(0.04)	(0.03)	(0.06)	0.02

	<i>Dec.31,</i> <i>2020</i>	<i>Sept.30,</i> <i>2020</i>	<i>Jun.30,</i> <i>2020</i>	<i>Mar.31,</i> <i>2020</i>
Total assets	16,944	6,434,989	6,566,875	21,862,830
Working capital (deficiency)	(5,166,513)	(71,490)	(623,007)	6,993,018
Long term debt	(3,904,516)	(4,289,359)	(3,986,915)	(3,822,585)
Shareholders' equity (deficiency)	(9,419,731)	(2,774,397)	(2,331,781)	13,371,628
Revenue	173,951	36,530	70,450	73,929
Net income (loss)	7,873,657	(628,452)	(15,703,409)	(1,046,008)
Net income (loss) per share	0.32	(0.03)	(0.64)	(0.04)

The main factors contributing to variances to the quarters up to December 31, 2021, were a loss of \$359,500 on write off receivable in December 31, 2021, a loss of \$23,874 on sale of marketable securities in September 30, 2021, stock-base compensation of \$727,630 in June 30, 2021, a gain on Kamari convertible debt settlement in March 2021 of \$1,099,818, stock-based compensation of \$527,332 and an unrealized loss of \$6,881,396 on digital assets in December 2020, development services revenue of \$173,951 (December 2020), \$36,530 (September 2020), \$70,450 (June 2020) and \$73,929 (March 2020) with no corresponding amounts in 2021. Also, unrealized losses on digital assets of \$147,845 (September 2020) \$15,309,139 (June 2020), and \$487,241 (March 2020) were offset by a gain of \$9,062,829 in the last quarter of 2020.

In 2020, the Company impaired the value of its Kamari tokens as there was no longer an objective market value for the tokens, except for the right to repay its Kamari debt at a mark to market price.

In the quarter ended March 31, 2021, the Company acquired Prego, which increased its consolidated assets by \$8,403,183 and its consolidated liabilities by \$5,963,589.

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THREE MONTHS ENDED DECEMBER 31, 2021 AND 2020

For the three months ended December 31, 2021, and 2020, the Company incurred a net loss of \$1,333,757 in the period compared to a net gain of \$7,873,657 in the prior comparable period. Operating expenses for the three months ended December 31, 2021 were \$974,257 (2020 - \$727,417).

Major variances in expenses were as follows:

- Accretion and interest expenses were \$540,626 (2020 - \$449,092) as a result of increased convertible debts in the current period;
- Foreign exchanges were \$54,211 (2020 - \$1,507) due to the US dollar and Norwegian krone exchange rate changes over the comparative periods;
- Management fees were \$109,809 (2020 - \$169,943) due to decreased director fees in current period;
- Office expenses were \$85,920 (2020 - \$127,304) due to office expenses were offset by a prior year GST and QST refund of \$109,191 in the current period;
- Research and development expenses were \$161,342 (2020 - \$165,678);
- Stock-based compensation were \$nil (2020 - \$527,332) as no options were issued in the current period.

During the three months ended December 31, 2021, the Company recognized an unrealized gain on digital assets of \$nil (2020- \$9,062,829) as a result of digital assets not having an active market in the prior period. The Company recognized a loss of \$359,500 (2020 - \$nil) on write-off receivable subject to more than three years settlement. During the three months ended December 31, 2021, the Company recorded revenue of \$nil (2020 - \$146,860) on the development of Borealis Derivative Marketplace.

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For the twelve months ended December 31, 2021, the Company incurred a net loss of \$3,838,084 in the period compared to a net loss of \$9,504,212 in the prior comparable year. Operating expenses for the period ended December 31, 2021 were \$4,831,856 (2020 - \$2,393,115).

Major variances in expenses were as follows:

- Accretion and interest expenses were \$1,935,300 (2020 - \$397,089) as a result of increased convertible debts in the current period;
- Consulting fees were \$491,944 (2020 - \$216,243) as a result of increased business activities in the current period;
- Management fees were \$482,917 (2020 - \$338,875) as impact by Covid-19, the board of directors and officers of the Company did not receive any compensation in the second quarter in the prior year;
- Office expenses were \$199,949 (2020 - \$167,785) due to increased corporate structures in current period;
- Professional fees were \$233,382 (2020 - \$81,623) increased due to the acquisition of Prego and private placements closed in the current period;
- Research and development expenses were \$641,787 (2020 - \$588,030) due to financial as well as Covid-19 related constraints in the prior year;

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- Stock-based compensation were \$727,630 (2020 -\$527,332) for options issued during the period.

During the period ended December 31, 2021, the Company recognized an unrealized loss on digital assets of \$nil (2020- \$6,881,396) as a result of digital assets not having an active market in the current period. The Company recognized a loss of \$23,755 (2020 - \$nil) upon sale of certain marketable securities. The Company also recorded a recognized gain of \$1,099,818 on the repayment of \$500,000 Kamari convertible debentures plus accrued interest by transferring 3,366,564 Kamari tokens to the debenture holder. The Company recognized a loss of \$359,500 (2020 - \$nil) on write-off receivable subject to more than three years settlement. The Company recorded a loss in derivative liability fair market value change of \$nil (2020 - \$483,042). During the period ended December 31, 2021, the Company recorded revenue of \$nil (2020 - \$354,860) on the development of Borealis Derivative Marketplace.

LIQUIDITY AND CASH FLOW

At December 31, 2021, the Company had cash of \$41,821 (2020 - \$1,944) and a working capital deficiency of \$8,276,982 (2020 - \$5,166,513).

For the period ended December 31, 2021, significant cash flows were as follows:

Net cash used in operating activities for the period was \$2,198,741. Net loss for the period of \$3,838,084 included non-cash accretion and accrued interest expenses of \$1,935,300 on convertible debentures, loss upon sale of certain marketable securities of \$23,755, stock-based compensation of \$727,630, and gain on repayment of convertible debenture with digital assets of \$1,099,818. Net changes in working capital items were \$8,899 from a decrease in prepaid expenses, \$526,434 from an increase in accounts receivable, and \$570,011 from an increase in accounts payable and accrued liabilities.

Net cash used in investing activities for the period was \$23,755. The Company received 185,185 shares of ThreeD Capital Inc. at a price of \$0.81 per share for the acquisition of 600,000 units of the Company at a price of \$0.25 per unit, in a private placement which closed in January 2021. During the period ended December 31, 2021, the Company sold 185,185 shares of ThreeD for proceeds of \$126,245.

Net cash provided by financing activities for the period was \$2,262,373. The Company received net funds of \$1,364,061 from share issuances for private placements, \$587,666 from warrants exercised, \$195,000 from options exercised, and \$594,000 for debt settlements, and \$20,000 from funds advanced from related parties during the period ended December 31, 2021.

On January 7, 2021, the Company completed a non-brokered private placement for gross proceeds of \$625,000 by issuing 2,500,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one share purchase warrant, entitling the holder to purchase one share at an exercise price of \$0.35 before January 7, 2023.

The Company paid finders fees of \$19,350 in cash and issued 71,400 finder's warrants with a fair value of \$21,308. The finder's warrants are exercisable at \$0.35 per share for a period of two years.

On January 7, 2021, the Company issued 1,500,000 common shares at a deemed price of \$0.25 per share to settle an aggregate of \$375,000 of indebtedness owed to certain arm's length and non-arm's length creditors.

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On January 14, 2021, the Company issued 95,339 common shares upon the conversion of \$22,510 debentures and \$1,325 accrued interest at a conversion price of \$0.25 per share.

On January 14, 2021, the Company redeemed \$27,012 of amended convertible debentures with \$27,012 in cash.

On January 26, 2021, the Company issued 35,585 common shares upon the conversion of \$18,008 debentures and \$1,208 accrued interest at a conversion price of \$0.54 per share.

On February 17, 2021, the Company issued 255,034 common shares for warrants exercised for proceeds of \$76,510 used to buy back principal amount together with accrued interest.

On March 1, 2021, the Company issued 2,500,000 common shares at a fair value of \$625,000 for the acquisition of Prego.

On March 1, 2021, the Company issued 145,106 common shares for \$31,496 obligation to issued shares for the conversion of convertible debentures.

On March 3, 2021, the Company issued 317,391 common shares at a deemed price of \$0.69 per share to settle an aggregate of \$219,000 of indebtedness owed to certain arm's length and non-arm's length creditors.

On March 11, 2021, 1,386,016 warrants were exercised by St Georges for proceeds of \$415,805.

On March 31, 2021, the Company exercised its option to repay \$500,000 of the Kamari convertible debentures and all accrued interest for a total of \$1,161,834 using 3,336,564 KAM tokens. As the Company had recorded a \$nil value on the balance sheet at December 31, 2020, due to a lack of objective market price, this transaction will result in a gain in the period ended December 31, 2021.

On December 20, 2021, the Company completed a non-brokered private placement for gross proceeds of \$790,000 by issuing 1,975,000 units at a price of \$0.40 per unit. Each unit is comprised of one common share and one share purchase warrant, entitling the holder to purchase one share at an exercise price of \$0.45 before June 20, 2023.

The Company paid finders fees of \$19,500 in cash and issued 25,000 finder's warrants with a fair value of \$4,768. The finder's warrants are exercisable at \$0.45 per share for a period of 18 months.

During the period ended December 31, 2021, the Company issued 549,539 common shares for warrants exercised for proceeds of \$171,862, and issued 650,000 common shares for stock options exercised for proceeds of \$195,000.

On May 18, 2021 the Company granted 575,000 stock options at an exercise price of \$0.65 per share on or before May 18, 2023; on May 31, 2021, granted 250,000 stock options at an exercise price of \$1.00 per share on or before May 31, 2023; on June 7, 2021, granted 300,000 stock options at an exercise price of \$0.75 per share on or before June 7, 2023; and on June 15, 2021, granted 350,000 stock options at an exercise price of \$0.90 per share on or before June 15, 2026.

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FINANCIAL RISK MANAGEMENT AND FINANCIAL ESTIMATES

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward are achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to various market risks, including interest rate, liquidity and credit risk. There has been no change in the financial risk of the Company during the period.

Market Risk

Market risk is the risk of loss arising from adverse changes to market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company may have to issue additional common shares or to enter into debt arrangements.

As at December 31, 2021, the Company has accounts payable and accrued liabilities of \$2,501,236 (2020 - \$1,366,895), \$3,389,133 (2020 - \$296,977) in debentures due within 12 months, and has cash of \$41,821 (2020 - \$1,944) to meet its current obligations. As a result, the Company faces liquidity risk as it expends funds towards its projects and acquisitions.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. This amount best represents the Company's maximum exposure to any potential credit risk. The risk is assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures use fixed interest rates and accordingly are not subject to cash flow interest rate risk due to changes in the market rate of interest.

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The Company does not use financial derivatives to reduce its exposure to risk. The management of the Company considers its interest rate risk is minimal.

Fair Value Measurement

Fair value is the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The carrying amount and fair value of financial instruments, with the exception of the secured debentures, are considered to be a reasonable approximation of fair value because of their short-term maturities.

The carrying values of the convertible debentures approximate its fair value at the reporting date because the convertible debentures were calculated by discounting future cash flows using rates that the Company would otherwise use for such debt with similar terms, conditions and maturity dates, adjusted for the Company's credit risk. Management believes that no significant change occurred in the risk of these instruments.

COVID-19 Disclosure

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at December 31, 2021, the Company's shareholders' deficiency was \$1,674,434 (2020 - \$9,419,731). The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. To meet these objectives, management monitors the Company's capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case-by-case basis.

Capital for expansion comes mostly from proceeds from the issuance of common shares and debt instruments. The net proceeds raised will only be sufficient for a certain amount of research and development work on its blockchain technologies and for working capital purposes. Additional funds are required to finance the Company's corporate objectives. There was no change in the Company's capital

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management policy for the period ended December 31, 2021.

The Company is not currently exposed to any externally imposed capital requirements.

RELATED PARTY TRANSACTIONS

a) Related Party Transactions

During the period, the Company incurred transactions with related parties, including a company controlled by its Chief Architect, Chief Technology Officer, and Chief Executive Officer.

During the period ended December 31, 2021, the Company incurred consulting fees of \$365,971 (2020 - \$321,478) which were expensed as research and development costs, and management fees of \$482,917 (2020 - \$342,057) and consulting fees of \$60,191 (2020 - \$141,243). 50% of the CEO's time was devoted to research and development.

During the period ended December 31, 2021, the Company invoiced to a subsidiary of St-Georges \$nil (2020 - \$354,860) for development services which were recorded as development services revenue.

b) Due to Related Parties

As at December 31, 2021, included in accounts payable is \$308,818 (2020 - \$778,463) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

As December 31, 2021, the balance of \$20,000 (2020 - \$nil) is due to a director of the Company and is included as a loan from related party. This amount is unsecured, non-interest bearing and has no fixed terms for repayment.

On January 7, 2021, the Company issued 1,354,000 common shares at a deemed price of \$0.25 per share to settle an aggregate of \$338,500 of indebtedness owed to certain core management and directors.

As at December 31, 2021, the Company has a convertible debenture payable to St-Georges with a fair value of \$348,702 (2020- \$348,702). As at December 31, 2019, \$346,507 was owing to St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment. The Company also granted 1,386,016 warrants to the shareholder, one warrant for every unit of \$0.25 of debenture. The 2-year warrants exercise price is \$0.30 per share.

As at December 31, 2021, the Company has another convertible debenture payable to St-Georges with a fair value of \$91,565. On September 23, 2021, the Company received \$120,000 from St-Georges in the form of a promissory note which was non-interest bearing, unsecured and had no fixed terms of repayment.

c) Stock Options Granted

During the period ended December 31, 2021, a total of 250,000 stock options were granted to the key management to purchase common shares of the Company at an exercise price of \$0.90 per share on or before June 15, 2026. The stock-based compensation related to these options totaled \$122,545 for the period ended December 31, 2021.

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During the year ended December 31, 2020, a total of 1,950,000 stock options were granted to the key management to purchase common shares of the Company at an exercise price of \$0.30 per share on or before December 17, 2025. The stock-based compensation related to these options totaled \$419,713 for the year ended December 31, 2020.

Board of directors and management team:

Frank Dumas, President, CEO and Director
Mark Billings, CFO and Director
Neha Tally, Corporate Secretary and Director
Jean-Philippe Beaudet, CTO and Director (Resigned in August 2021)
The Honorable Lord Timothy Edward Razzall, Director
Jasseem Allybokus, Director
Ronald Eriksen, Director (Appointed in March 2021)
Patricia Popert-Fortier, Chief Operating Officer and Director (Appointed in August 2021)
Yuming Qian, Chief Architect

Outstanding Share Data

As at December 31, 2021, and at the current date, the Company had 37,177,948 common shares outstanding of which 3,100,313 are held in escrow.

Warrants

As at December 31, 2021, and at the current date, the Company had 13,240,833 warrants outstanding.

Stock Options

As at December 31, 2021, and at the current date, the Company has 3,275,000 stock options outstanding.

RISK FACTORS

Financing and Development

The Company does not presently have sufficient financial resources to undertake its planned research and development programs. Development of the Company's blockchain depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing blockchain, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

Digital assets - valuation

Many digital assets are traded in active markets and are valued based upon quoted prices (less costs to sell); a portion of such digital assets may not be actively traded and are carried at cost. The Company determines if these digital assets are impaired by considering relevant market information and other valuation techniques. These valuations require the Company to make significant estimates and assumptions. Digital assets are generally considered to be commodities or similar to commodities. Unrealized gains and losses on digital assets are recorded as net unrealized gain (loss) on digital assets.

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For digital assets traded in an active market, in the statement of loss and comprehensive loss unrecognized gains above the cost or fair market value, on the date of recognition, are recorded in other comprehensive income.

signed "Frank Dumas"

President and Chief Executive Officer

signed "Mark Billings"

Chief Financial Officer