

# **ZeU Technologies Inc.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **YEAR ENDED MARCH 31, 2023**

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**Date prepared: July 31, 2023**

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 audited consolidated financial statements for the year ended March 31, 2023. 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.

#### **DESCRIPTION OF BUSINESS**

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

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.

#### **OVERVIEW**

ZeU Crypto Networks Inc. ("ZeU") was incorporated under the Canadian Corporations 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".

On **October 7, 2020**, the Company announced a name change from ZeU Crypto Networks Inc. to ZeU Technologies, Inc. Shares began trading on the CSE under the new name on October 15, 2020.

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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”).

As of March 31, 2023, the Company held 151,751 (2022 – 151,751) shares to be distributed to certain St-Georges shareholders at a later date, and the Company retained 10,136,191 (2022 - 10,136,191) shares of ZeU. As of the report date, the Company retained 11,522,519 shares of ZeU.

## **2022 Highlights**

On **February 28, 2022**, the Company announced the change of financial year-end from December 31 to March 31.

In **April 2022**, the Company announced that the management initiated the process required to distribute the majority of its ownership in its banking and financial services subsidiary, ZeUPay, to its shareholders via a plan of arrangement under the rules in place in the province of Quebec. However, subsequent developments hindered a plan of arrangement to the degree that it was canceled.

## **2023 Highlights**

On **March 31, 2023**, the Company entered into debt settlement agreement with a large creditor of the Company to eliminate \$9,985,663 of debt and claims from its balance sheet. The Company will issue a promissory note of \$175,000 and 4,130,000 shares of the Company valued at \$227,150.

On **March 31, 2023**, the Company entered into debt settlement agreement with St-Georges to consolidate the loans from St-Georges into one convertible debenture of \$947,467 bearing 18% annual interest, conversion price at a minimum of \$0.10 per share with a maturity date of April 30, 2027. The Company will issue 1,386,328 shares at a deemed price of \$0.10 per share for the \$1,386,328 accrued interest and 6,500,000 three years warrants at an exercise price of \$0.15 per share.

## **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

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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.

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

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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.

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.

## **Projects**

### **The Mula Platform**

#### ***Project Summary***

The Mula Platform, a suite of private, secure communication tools, is the Company's flagship application. It uses ZeU's patented technology to ensure a private communication experience allowing customers to determine which information, if any, is anonymously sold to third parties. The Mula Platform is comprised of MulaMail and a suite of related applications. The modular approach allows customers to use only the services they desire. The Mula Platform will be available in four classes, Freemium, Premium, Pro, and Enterprise Solutions. Mula Freemium aims to marry email and marketing via targeted marketing campaigns. Mula Premium will allow customers to opt out of targeted marketing campaigns. Mula Pro and Mula Enterprise Solutions will allow clients access to modules specifically of interest to businesses. The Company will also offer a non-commercial variant with restricted usage, Mula Black.

#### ***Project Highlights***

In **March 2020**, the Company announced that one of its special projects, MulaMessage, is now being integrated as part of the Mula Platform. MulaMessage is designed to be a secure, end-to-end encrypted messaging system that features a noncustodial encryption key management process.

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.

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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 **June 2022**, the Company stated that it is in the process of getting the initial version of MulaMessage vetted to be available in the App Store, the Android version is currently being stress-tested, and the desktop version will follow.

In **July 2022**, the Company stated that the Android and Apple versions are currently being stress-tested.

### **Gaming Initiative**

#### ***Project Summary***

The Company is developing a white-label gaming service under its subsidiary, ZeU Gaming, and using ZeU’s patented technology to drive customer confidence by ensuring the auditability of gaming outcomes. A full suite of peer-to-peer (P2P) casino games is under development. The first four games developed are Dice, Lottery, Auction, and Slot. Integration with the Company’s Mula Platform will connect customer accounts and enable customers to access smart contract components that will allow users to create their own gaming offers, such as sports pools, with participation and payout automated via Mula Smart Contract Builder.

#### ***Project Highlights***

In **July 2021**, the Company incorporated a new subsidiary, ZeU Gaming Inc.

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 Kamari’s 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.

In **March 2022**, the Company stated that it expects that PlayMoon, one of the users of its gaming platform, will have completed its mobile application front end within a few weeks.

### **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 **February 5, 2021**, ZeU created a new subsidiary called ZeUPay Inc. (“ZeUPay”) to proceed with the final acquisition of Prego International Group AS (“Prego”).

On **February 8, 2021**, the Company executed the definitive agreement to acquire all of the issued and outstanding shares of Prego through ZeUPay, 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 brought custodial and legacy banking support for the Mula Platform as well as ZeU’s other DeFi and Gaming initiatives. It offered 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 changed its name to ZeUPay AS when the transaction was completed.

In **August 2021**, the Company announced that policy developments from major credit card 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 payment

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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.

On **March 10, 2022**, ZeU disclosed that ZeUPay signed an agency agreement with NIUM UAB, an EU/Singapore-based payment card issuer and a key player in the digital banking industry. ZeUPay is in the process of completing its infrastructure to be able to operate as a global digital bank. The agreement is intended to support ZeUPay's new digital banking & payment platform.

In **April 2022**, the Company announced that the management had initiated the process required to distribute the majority of its ownership in its banking and financial services subsidiary, ZeUPay, to its shareholders via a plan of arrangement under the rules in place in the province of Quebec. Shares of record of the Company at a record date to be established further along in the process will be entitled to a pro-rata distribution of ZeUPay common shares.

ZeUPay AS put together a platform for micro-payments and remittance services based in Norway. Over the last year, the policies and fees structure of the clearing banks made the business model impossible to carry forward due to excessive new cost.

The operation was halted in August 2022, and the Company's attempts to replace the original setup failed. The operations of ZeUPay AS were completely stopped on September 30, 2022.

During the year ended March 31, 2023, the Company impaired the balance of \$446,400 of intangible assets as the Company discontinued operations in the area.

During the year, the Company settled \$1,514,910 accounts payable and loans of ZeUPay AS, a 7,500,000 convertible debentures issued for the purchase agreement plus accrued interest of \$935,753, and \$35,000 in accrued director fees with a promissory note of \$175,000 and 4,130,000 shares of ZeU valued at \$227,150. The Company recorded a gain of \$7,966,523 on the debt settlement.

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."). As of March 31, 2023, the JV Co. with Kamari Limited remains inactive.

On **November 13, 2019**, the Company completed a 12% unsecured convertible debenture 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.

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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.

On **March 21, 2022**, the Company exercised its option to repay the remaining Kamari convertible and all accrued interest for a total of \$3,815,806 using 15,338,551KAM tokens to complete the transaction.

**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 including CDN\$250,000 principal amount of convertible debenture of ZeU Gaming; 1,500,000 non-transferable common share purchase warrants at a price of \$0.91 for a period of 24 months following the Closing Date; and 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 its intent to withdraw from the proposed transaction. The Share Purchase Agreement with MoneyLine was undone. No securities were issued.

On November 25, 2022, the Company sent a Written Notice of Demand to MoneyLine requesting repayment of the \$25,000 Promissory Note dated August 20, 2021, by December 26, 2022.

During the year ended March 31, 2023, the Company fully impaired the \$250,000 promissory note receivable.

**Other Agreements**

On **June 7, 2022**, the Company received a letter of demand from Mantle Technologies regarding location rental and platform access. The Company is currently in talks with Mantle to settle the dispute.

On **July 21, 2022**, the Company received a letter of demand from 3 Chinese residents who were part of the original subscribers in the July 5, 2018, Convertible Debenture. The Company is currently in talks with its lawyers to resolve the situation.

**MANAGEMENT CHANGES**

On **November 25, 2022**, the Company accepted Ronald Aldor Eriksen's resignation in all capacities. Mr. Eriksen has resigned as Chairman and CEO of ZeUPay AS, as a director of ZeUPay Inc., and as a director of the Company.



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**RESULTS OF OPERATIONS**

For the period ended March 31, 2023, the Company recorded a net gain of \$4,988,774 (2022 – \$14,274,215 loss), and had accumulative deficit of \$26,227,388 (2022 - \$31,216,162).

**SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company's financial operations for the year ended March 31, 2023 and the fifteen months ended March 31, 2022.

	<b>Year ended March 31, 2023</b>	<b>Fifteen months ended March 31, 2022</b>	<b>Year ended December 31, 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	15,032	24,281	1,944
Lawyer's trust account	83,332	-	-
Digital assets	-	-	-
Working capital (deficiency)	(5,821,603)	(5,852,304)	(5,166,513)
Total assets	252,712	584,824	16,944
Shareholders' equity (deficiency)	(6,789,070)	(12,096,035)	(9,419,731)
Revenue	-	-	354,860
Net income (loss) and comprehensive loss for the period	4,988,774	(14,274,215)	(9,504,212)
Basic and diluted income (loss) per share	0.13	(0.41)	(0.39)

**Year ended March 31, 2023**

The Company incurred a net gain of \$4,988,774 in the year. Operating expenses were \$2,699,541, and the Company recorded a gain of \$8,020,949 in the debt settlements and recognized a loss of \$446,400 in the impairment of intangible assets.

**Fifteen months ended March 31, 2022**

The Company incurred a net loss of \$14,274,215 in the fifteen months. Operating expenses were \$5,790,195, and the Company recognized a loss of \$23,755 upon the sale of certain marketable securities. The Company also recorded a recognized gain of \$4,491,806 on the repayment of \$3,917,000 Kamari convertible debentures plus accrued interest by transferring 18,705,115 Kamari tokens to the debenture holder. The Company recognized a loss of \$13,320,813 on the impairment of goodwill in a subsidiary.

**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.

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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>Mar.31,</i> <i>2023</i>	<i>Dec.31,</i> <i>2022</i>	<i>Sept.30,</i> <i>2022</i>	<i>Jun.30,</i> <i>2022</i>
Total assets	252,712	556,697	546,664	524,169
Working capital (deficiency)	(5,821,603)	(7,182,754)	(6,587,867)	(6,295,504)
Long term debt	(967,467)	(7,414,773)	(7,054,743)	(6,563,117)
Shareholders' equity (deficiency)	(6,789,070)	(14,597,527)	(13,642,610)	(12,858,621)
Revenue	-	-	-	-
Net income (loss)	7,504,933	(954,917)	(798,656)	(762,586)
Net income (loss) per share	0.20	(0.03)	(0.02)	(0.02)

  

	<i>Mar.31,</i> <i>2022</i>	<i>Dec.31,</i> <i>2021</i>	<i>Sept.30,</i> <i>2021</i>	<i>Jun.30,</i> <i>2021</i>
Total assets	584,824	13,685,663	13,897,972	13,979,779
Working capital (deficiency)	(5,852,304)	(8,276,982)	(4,804,887)	(4,171,766)
Long term debt	(6,243,731)	(5,209,749)	(8,117,434)	(7,657,429)
Shareholders' equity (deficiency)	(12,096,035)	(1,674,434)	(1,106,428)	74.667
Revenue	-	-	-	-
Net income (loss)	(10,436,131)	(1,333,757)	(1,069,805)	(1,971,674)
Net income (loss) per share	(0.28)	(0.04)	(0.03)	(0.06)

The main factors contributing to variances to the quarters up to March 31, 2023, were a gain of \$8,020,949 in the debt settlement in March 31, 2023, a gain on Kamari convertible debt settlement in March 2022 of \$3,391,988, a loss of \$13,320,813 on impairment of goodwill in March 2022, a loss of \$23,874 on sale of marketable securities in September 30, 2021, stock-based compensation of \$727,630 in June 30, 2021.

In December 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.

**Three months ended March 31, 2023 and 2022**

For the three months ended March 31, 2023, the Company incurred a net gain of \$7,435,617 in the period compared to a net loss of \$10,436,131 in the prior comparable period. Operating expenses for the three months ended March 31, 2023 were \$147,282 (2022 - \$958,339).

Major variances in expenses were as follows:

- Accretion and interest expenses were \$415,532 (2022- \$499,591) as a result of decreased convertible debts in the current period;
- Foreign exchanges gain was \$95,410 (2022 - \$96,698) due to the US dollar and Norwegian krone exchange rate changes over the comparative periods;
- Office expenses were \$20,618 (2022 - \$208,717 gain) due to office expenses were offset by receiving a prior year write-off GST and QST refund of \$109,191 in the prior period;

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- Professional fees were \$21,707 (2022- \$21,441) due to the letter of demand from Mantle Technologies and convertible debenture holders in the current period;

During the three months ended March 31, 2023, the Company recorded a recognized a gain of nil\$ (2022 - \$3,391,988) on the repayment of the remaining Kamari convertible debentures of \$3,417,000 plus accrued interest by transferring 15,338,551 Kamari tokens to the debenture holder. The Company recorded a \$nil (2022 - \$13,320,813) impairment of goodwill in a subsidiary, a gain of \$8,020,949 (2022 - \$nil) in the debt settlements, and a loss of \$446,400 (2022 - \$nil) in the impairment of intangible assets.

**Twelve months ended March 31, 2023 and fifteen months ended March 31, 2022**

For the twelve months ended March 31, 2023, the Company incurred a net gain of \$8,309,738 in the period compared to a net loss of \$14,274,215 in the prior comparable period. Operating expenses for the twelve months ended March 31, 2023 were \$2,568,030 (2022 - \$5,790,195).

Major variances in expenses were as follows:

- Accretion and interest expenses were \$1,682,584 (2022- \$2,434,891) as a result of decreased convertible debts in the current period;
- Consulting fees were \$60,000 (2022 - \$427,068) as a result of decreased business activities in the Company and its subsidiaries in the current period;
- Foreign exchanges gain was \$131,510 (2022 - \$56,696) due to the US dollar and Norwegian krone exchange rate changes over the comparative periods;
- Management fees were \$202,449 (2022 - \$841,386) due to the Company has implemented important cost-saving measures and major management didn't receive compensations in the last quarter in the current period;
- Office expenses were \$213,265 (2022 - \$8,768 gain) due to the Company increasing the fees to maintain the ongoing operation of the Company in the current period;
- Professional fees were \$78,738 (2022 - \$254,823) due to the completion of the acquisition of Prego and private placement in the prior period;
- Research and development expenses were \$293,121 (2022 - \$862,850) due to financial constraints in the current period;
- Salary was \$84,918 (2022 - \$198,006) due to the salary recorded in the subsidiaries in the prior period;
- Stock-based compensation were \$nil (2022 - \$727,630) as options were issued in the prior period.

During the twelve ended March 31, 2023, the Company recognized a loss of \$nil (2022 - \$23,755) upon sale of certain marketable securities. The Company recorded a recognized gain of \$nil (2022 - \$4,491,806) on the repayment of all Kamari convertible debentures of \$3,917,000 plus accrued interest by transferring 18,705,115 Kamari tokens to the debenture holder. The Company recorded \$nil (2022 - \$13,320,813) on impairment of goodwill and income tax recoverable of \$nil (2022 - \$68,618) in a subsidiary. The Company also recorded a loss of \$4 (2022 - \$300,124 gain) on fair vale change in convertible debentures. During the twelve months ended March 31, 2023, the Company recorded a gain of \$8,020,949 (2022 - \$nil) in the debt settlements and a loss of \$446,400 (2022 - \$nil) in impairment of intangible assets, and a gain of \$7,260 (2022 - \$nil) on disposal of discontinued operations of its subsidiary ZeUPay AS.

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**LIQUIDITY AND CASH FLOW**

At March 31, 2023, the Company had cash of \$15,032 (2022 - \$24,281), lawyer's trust account of \$83,332 (2022 - \$nil) and a working capital deficiency of \$5,821,603 (2022 - \$5,852,304).

For the year ended March 31, 2023, significant cash flows were as follows:

Net cash used in operating activities for the period was \$250,211. The net income for the period of \$4,919,458, included non-cash accretion and accrued interest expenses of \$1,682,584 on convertible debentures, impaired promissory note receivable of \$25,000, and impairment of intangible assets of \$446,400, which were offset by foreign exchange gain of \$131,510 and gain on debt settlements of \$8,020,949. Net changes in working capital items were \$81,306 from a increase in prepaid expenses, \$72,769 from a decrease in accounts receivable, and \$775,283 from an increase in accounts payable, accrued liabilities and debt.

Net cash provided by financing activities for the period was \$240,962. The Company received \$240,962 in promissory notes from related parties during the year ended March 31, 2023.

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 77,400 finders' warrants with a fair value of \$21,308. The finders' 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.

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 the 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 issue shares for the conversion of convertible debentures.

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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 March 31, 2021.

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.

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 62,500 finders' warrants with a fair value of \$4,768. The finders' warrants are exercisable at \$0.45 per share for a period of 18 months.

On March 21, 2022, the Company exercised its option to repay the remaining Kamari convertible debenture of \$3,417,000 plus \$398,806 of accrued interest by transferring 15,338,551 Kamari tokens to the debenture holder. The Company recorded a gain of \$3,391,988 on the debt settlement in the period ended March 31, 2022.

During the fifteen months period ended March 31, 2022, 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 23, 2022, the Company announced that it would offer shares for debts to its creditors for up to a maximum of 3,000,000 shares at a price of \$0.30 per Share. The offering was cancelled at a later date.

On April 13, 2023, 4,130,000 shares are issued pursuant to the March 31, 2023 debt settlement agreement at a value of \$227,150, which are subject to a voluntary resale restriction for a period of 36 months from the date of issuance, with 20% of the shares being released every quarter starting on June 30, 2023.

Pursuant to the March 31, 2023 debt settlement agreement, on May 17, 2023, 6,500,000 warrants of the Company were released to St-Georges at an exercise price of \$0.15 per share until May 17, 2026, and on May 18, 2023, 1,386,328 shares of the Company were released to St-Georges at a deemed price of \$0.10 per share.

On June 6, 2023, the Company extended the term of 1,975,000 warrants originally issued as par of a private placement closed on December 20, 2021. The expiry date is extended by 12 months to June 20, 2024. The extension is subject to the final approval of the CSE.

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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 rates 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 will have to issue additional common shares, conclude private placements, and complete debt arrangements.

As at March 31, 2023, the Company has accounts payable and accrued liabilities of \$1,738,444 (2022 - \$2,046,284), \$4,323,913 (2022 - \$4,382,144) in debt due on demand and \$11,958 (2022 - \$8,700) in debentures due within 12 months, and has cash of \$15,032 (2022 - \$24,281) and lawyer's trust account of \$83,332 (2022 - \$nil) to meet its current obligations. Liquidity risk is assessed as high. At March 31, 2023, the Company has long term convertible debentures of \$947,467 (2022 - \$6,223,731) with a maturity date of April 30, 2027. 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, loan receivable and promissory note receivable. 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 and the loan receivable is assessed as medium.

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### **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. However, the debentures the Company holds are at a high rate of interest, and the risk must be considered as high. The Company does not use financial derivatives to reduce its exposure to risk.

### **Foreign exchange risk**

Foreign exchange risk is the risk that the future fair value of cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's financial results are reported in Canadian dollars, while it conducts a significant portion of its business activities in US dollars and Norwegian Kroner. The assets, liabilities and expenses that are denominated in US Dollars and Norwegian Kroner will be affected by changes in the exchange rate between the Canadian dollar, the US Dollar and the Norwegian Krone. At March 31, 2023, the Company had foreign exchange risk with respect to US accounts payable of CAD\$38,151 (2022 - CAD \$19,579), and Norwegian Krone accounts payable of CAD \$nil (2022 - CAD \$836,262). If the Canadian dollar changes by one percent against all foreign currencies, with all other variables held constant, the impact of the foreign currency change on the Company's foreign denominated financial instruments would result in a reduction or increase of after-tax net loss of approximately \$3,815 (2022 \$85,584) for the year ended March 31, 2023.

### **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 long-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.

### **CAPITAL MANAGEMENT**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2023, the Company's shareholders' deficiency was \$6,789,070 (2022 - \$12,096,035) and it carried long term debt of \$947,467 (2022 - \$603,518). 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

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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 distributed, decentralized, peer-to-peer 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 management policy for the year ended March 31, 2023.

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

## **RELATED PARTY TRANSACTIONS**

### **a) Related Party Transactions**

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

During the period ended March 31, 2023, the Company incurred research fees of \$14,070 (2022 - \$460,199), which were expensed as research and development costs, and management fees of \$202,449 (2022 - \$841,386) and consulting fees of \$60,000 (2022- \$75,191). 50% of the CEO's time was devoted to research and development.

Related party of the Company subscribed for a total of 110,000 units for proceeds of \$27,500 in the private placement closed on January 7, 2021, and subscribed for a total of 775,000 units for proceeds of \$310,000 in the private placement closed on December 20, 2021.

### **b) Due to Related Parties**

At March 31, 2023, included in accounts payable is \$644,128 (2022 - \$490,239) owing to directors. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

As at March 31, 2023, the balance of \$20,000 (2022 - \$20,000) 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 March 31, 2023, the Company has a convertible debenture payable to St-Georges with a fair value of \$947,467 (2022 - \$603,518). As at March 31, 2023, \$807,467 was owing to St-Georges and \$140,000 additional loans from St-Georges in the form of a promissory note which bearing 18% annual interest. The Company will grant 6,500,000 warrants to St-Georges. The 3-year warrants exercise price is \$0.15 per share. The Company will also issue 1,386,328 shares to St-Georges for the \$138,632 accrued interest.



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**c) Stock Options Granted**

During the period ended March 31, 2022, 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 March 31, 2022.

**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, resigned on November 25, 2022)

Patricia Popert-Fortier, Chief Operating Officer and Director (Appointed in August 2021)

Yuming Qian, Chief Architect

**Outstanding Share Data**

As at March 31, 2023, and at the current date, the Company has 37,177,948 common shares outstanding, of which 1,860,209 are held in escrow. Subsequent to the year ended March 31, 2023, 5,516,328 shares are issued for the debt settlement.

As of the current date, the Company has 42,694,276 common shares outstanding.

**Warrants**

As at March 31, 2023, the Company has 2,037,500 warrants outstanding. Subsequent to the year ended March 31, 2023, 62,500 warrants expired unexercised, and 6,500,000 warrants issued for the debt settlement.

As of the current date, the Company has 8,475,000 warrants outstanding.

**Stock Options**

As at March 31, 2023, the Company has 3,275,000 stock options outstanding. Subsequent to the year ended March 31, 2023, 1,125,000 stock options expired unexercised.

As of the current date, the Company has 2,150,000 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 distributed, decentralized, peer-to-peer products depends on its ability to raise the additional funds required. There can be no assurance that the Company

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will succeed in obtaining the funding required. The Company also has limited experience in developing distributed, decentralized, peer-to-peer products, 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. 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