

# mobio technologies

## **Mobio Technologies Inc.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED**

**OCTOBER 31, 2019 AND 2018**

**TO OUR SHAREHOLDERS****December 27, 2019****MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is management's discussion and analysis ("MD&A") of Mobio Technologies Inc.'s ("Mobio" or the "Company") operating and financial results for the three months ended October 31, 2019 and 2018 as well as information and expectations concerning the Company's outlook based on currently available information. This report is dated December 27, 2019.

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended October 31, 2019 and 2018, and the audited annual financial statements for the years ended July 31, 2019 and 2018. Additional information is available at [www.sedar.com](http://www.sedar.com).

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the condensed consolidated interim financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management no less than quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

**CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to Company's future plans and management's belief as to the Company's potential involve known and unknown risks uncertainties, which could be significant, and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. These risks related to forward looking information include, but are not limited to: the risks associated with the commercial viability of any technologies the Company is in the process of developing or deploying, delays or changes in plans with respect to any technologies, costs and expenses, the risk of foreign exchange rate fluctuations, risks associated with securing the necessary regulatory approvals and financing to proceed with any planned business venture, product development or deployment, and risks and uncertainties regarding the potential to economically scale and bring to profitability any of the Company's current or planned endeavors. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended.

There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Risk Management section of this MD&A for a further description of these risks. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information.

## 1. SUMMARY OF OPERATIONS AND EVENTS

The Company was originally incorporated under the Business Corporations Act (Alberta) on November 19, 1998. On December 6, 2012, the Company changed its name to LX Ventures Inc. and was continued into British Columbia under the Business Corporations Act (British Columbia). On July 7, 2014, the Company again changed its name to Mobio Technologies Inc.

### Development of the Company's Business

On February 22, 2019, the Company completed a plan of arrangement whereby the shares of one of the Company's subsidiaries, Plank Ventures Ltd. ("Plank"), was distributed to the shareholders of the Company and Plank ceased to be a subsidiary of the Company. Pursuant to the plan of arrangement, all of the Company's portfolio investments were transferred to Plank. In accordance with IFRS 10, as the Company has a variable interest in Plank through an intercompany receivable and has the same directors and shareholders as Plank, the Company meets the criteria for having control over Plank and, therefore, the condensed consolidated interim financial statements include the assets, liabilities, revenues and expenses of Plank and its subsidiary. The portion of equity attributable to the shareholders of Plank is included as a separate component of equity in the condensed consolidated interim statements of financial position.

In November 2019, Plank purchased 333,334 Series B Convertible Preferred Shares ("Series B Shares") in the capital of Votigo Inc. ("Votigo"), for a price of USD \$0.90 per Series B Share, or USD \$300,000 in the aggregate. Plank will be purchasing an additional 777,777 Series B Shares at USD \$0.90 per Series B Share, or USD \$699,999 in the aggregate within one year of the completion date. Plank is the only holder of Series B Shares.

As part of the transaction, Plank also purchased 834,349 Series A Convertible Preferred Shares ("Series A Shares") out of a total issued and outstanding 1,668,695 Series A Shares, for a purchase price of \$0.8333 per Series A Share, or USD \$695,263 in the aggregate. USD \$347,632 of the purchase price will be paid in cash at closing, and the remainder \$347,631 will be paid in shares of Plank if Plank's shares become listed on a securities exchange, at a volume weighted average price of Plank's shares for the first 30 days of listing. If Plank does not list its shares on an exchange prior to nine months after closing, then it must pay the remainder of the purchase price in cash.

### Financing Activities

On August 14, 2019, the Company received a loan in the amount of \$25,000 from a company controlled by an officer. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$541 (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$25,541.

On August 29, 2019, the Company received a loan in the amount of \$100,000 from a company controlled by a significant shareholder. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$1,754 (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$101,754.

On October 21, 2019, Plank received a loan in the amount of \$1,000,000 from a company controlled by a significant shareholder. The loan is secured by a promissory note, bears interest at 5% and is due on demand. During the period ended October 31, 2019, Plank recorded interest of \$1,507 (period ended October 31, 2018 - \$Nil) on the loan. The balance of the loan at October 31, 2019 is \$1,001,507.

## 2. EARNINGS AND EXPENSES

Following is a discussion of the Company's financial results for the three months ended October 31, 2019 and 2018. The condensed consolidated interim financial statements of the Company for the three months ended October 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All inter-company balances and transactions have been eliminated upon consolidation.

### Three Months Ended October 31, 2019 and 2018

#### Revenue

The Company's revenues primarily consist of software licensing fees and usage fees generated by Strutta and cryptomining revenue generated by Exahash.

The Company's revenues for the three-month period ended October 31, 2019, were \$3,589 compared to \$12,145 for the three months ended October 31, 2018, a decrease of \$8,556 related to the decrease in Strutta revenue.

#### Expenses

The Company's expenses for the three-month period ended October 31, 2019, were \$230,192 compared to \$206,873 for the three-month period ended October 31, 2018, an increase of \$23,319. The major differences are described below:

- An increase of \$29,045 in professional fees related to the legal fees incurred with respect to Plank's efforts toward a public listing;
- An increase of \$6,754 in personnel costs related to the increase in fees paid for accounting services provided during the year end audit;
- An increase of \$6,003 in depreciation related to the cryptomining equipment owned by Exahash.

Other items for the three months ended October 31, 2019 were \$46,857 compared to \$24,831. The increase of \$22,026 is largely related to interest expense on higher related party loans in the current quarter.

## 3. LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2019, the Company had a working capital deficit of \$701,444, compared to working capital of \$172,331 at July 31, 2019. Management has been actively engaged in securing the resources necessary from internal and external sources to fulfill all of the Company's planned activities.

On August 14, 2019, the Company received a loan in the amount of \$25,000 from a company controlled by an officer. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$541 (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$25,541.

On August 29, 2019, the Company received a loan in the amount of \$100,000 from a company controlled by a major shareholder. The loan is unsecured, due on demand and bears interest at 10% per annum. During the three months ended October 31, 2019, the Company recorded \$1,754 (period ended October 31, 2018 - \$Nil) in interest on the loan. The balance of the loan at October 31, 2019 is \$101,754.

On October 21, 2019, Plank received a loan in the amount of \$1,000,000 from a company controlled by a significant shareholder. The loan is secured by a promissory note, bears interest at 5% and is due on demand. During the period ended October 31, 2019, Plank recorded interest of \$1,507 (period ended October 31, 2018 - \$Nil) on the loan. The balance of the loan at October 31, 2019 is \$1,001,507.

The Company's continued activities over the long term are dependent upon the Company's ability to raise additional capital in the future, achieve profitability, monetize one or more of its proprietary technologies, or reduce discretionary expenditures.

#### 4. SELECTED QUARTERLY INFORMATION

The following table provides a brief summary of the Company's financial results for each of the eight most recent quarters. For additional information pertaining to the Company's quarterly results, please refer to the Company's audited annual consolidated financial statements for the years ended July 31, 2019, and 2018, to the Company's condensed consolidated interim financial statements for corresponding periods, and to the MD&A for each period presented, which are available at [www.sedar.com](http://www.sedar.com).

SUMMARY OF QUARTERLY RESULTS								
Quarter ended	Oct. 31 2019	Jul. 31 2019	Apr. 30 2019	Jan. 31 2019	Oct. 31 2018	Jul. 31 2018	Apr. 30 2018	Jan. 31 2018
Revenue	\$ 3,589	\$ 9,532	\$ 8,970	\$ 15,083	\$ 12,145	\$ 12,691	\$ 7,435	\$ 24,394
Expenses	230,192	197,901	154,687	227,029	206,873	192,520	209,799	240,027
Net loss	(273,460)	(333,487)	(155,575)	(127,017)	(219,559)	(333,701)	(207,485)	(227,363)
Loss per share, basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)	(0.02)	(0.01)	(0.02)

#### 5. RELATED PARTY TRANSACTIONS

Payments to key management and directors, for the periods ended October 31, 2019 and 2018 were as follows:

	2019	2018
Management fees paid to current and former directors and/or officers, or to companies controlled by directors and/or officers	\$ 51,458	\$ 41,250
Share-based payments to directors and officers	79	-
Total compensation	\$ 51,537	\$ 41,250

Fees paid to directors and officers are included in the line item "Personnel" in the Company's condensed consolidated interim statements of comprehensive loss.

Interest and accretion recorded on related party loans for the periods ended October 31, 2019 and 2018 were as follows:

	2019	2018
Interest and accretion accrued on loans payable to companies with a common director and officer or to companies controlled by directors and/or officers or by significant shareholders	\$ 55,018	\$ 30,676

Included in accrued liabilities at October 31, 2019 is \$90,000 (July 31, 2019 - \$60,000) owing to an officer of the Company and included in trade payables is \$13,348 (July 31, 2019 - \$25,370) owing to an officer of the Company.

## 6. NEW ACCOUNTING STANDARDS AND POLICIES

### Leases

On August 1, 2019, the Company adopted IFRS 16. IFRS 16 is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. The adoption of this new standard did not have a material impact on the condensed consolidated interim financial statements.

## 7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, accounts receivable, related party loans payable and trade payables. As at October 31, 2019 there were no significant differences between the carrying amounts of these items and their estimated fair values. The carrying value of these items approximates their fair value.

### Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable.

The three levels of the fair value hierarchy are:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of October 31, 2019, cash and restricted cash are classified as Level 1 and investments are classified as Level 3.

The Board of Directors approves and monitors the risk management processes. The Company has exposure to the following risks from its use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Market risk
- Currency risk

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company manages its financial instruments with the objective of minimizing potential interest rate risk, which generally means avoiding interest-bearing obligations other than in unusual circumstances. The Company is not exposed to significant interest rate risk.

### Credit Risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, restricted cash, and accounts receivable. Management believes that the credit risk with respect to cash and restricted cash is minimal as balances are held with a high-credit quality financial institution. Accounts receivable have historically been subject to very few bad debts.

**Liquidity Risk**

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising funds to sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company's ability to meet its future obligations may depend in significant part on the extent to which the Company can raise sufficient funds or implement successfully its business growth and cost reduction strategies. The Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realized.

**Market Risk**

The Company's exposure to financial market risk is limited, as it presently does not have any investments where value fluctuates as a result of changes in prices quoted in open markets.

**Currency risk**

The Company is headquartered in Canada and its functional reporting currency is the Canadian dollar. At October 31, 2019, the Company has \$350,000 in US dollar loans and \$199,636 in US dollar investments. As such, the Company's results of operations are subject to foreign currency fluctuation risks and these fluctuations may adversely affect the financial position and operating results of the Company. As of October 31, 2019, the Company does not use derivative instruments to reduce its exposure to currency risk. At October 31, 2019, a ten percent change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by \$19,788.

**8. RISK MANAGEMENT**

Early stage technology companies face many risks. While management is unable to eliminate risks, the Company is intent on identifying and mitigating such risks as much as is reasonably possible.

In evaluating an investment in Mobio, in addition to other information contained in this MD&A, investors should consider the following risk factors associated with Mobio's business of investing in startup companies. These risk factors are not a definitive list of all risk factors associated with the Company and its business.

**Risk of Loss of Entire Investment**

Investing in startup companies involves a high level of risk. Startup companies may fail completely or Mobio may be unable to resell the shares it owns in the startup or collect upon the debt instrument that the Company has purchased from the startup. In these situations, Mobio may lose the entire amount of the investment.

**Return on Investment is Not Guaranteed**

The amount of return on investment, if any, is highly variable and not guaranteed. Some startups may be successful and generate significant returns, but many will not be successful and will only generate small returns, if any at all. Investment returns that the Company may receive will be variable in amount, frequency, and timing.

**Delay in Return on Investment**

Any returns generated by startup companies may take several years to materialize. Most startups take five to seven years to generate any investment return, if at all.

**Liquidity Risk**

It may be difficult to resell the investment in a startup. Startup investments are privately held companies and are not traded on a public stock exchange. Also, there is currently no readily available secondary market for private buyers to purchase securities of startups. Furthermore, there may be restrictions on the

resale of the shares of the startup and the ability to transfer those shares.

**Dilution Risk of the Investment**

Startup companies may need to raise additional capital in the future through the issue of additional shares. This will dilute the percentage ownership that Mobio has in the company.

**Risk of Inaccurate Valuation of the Investment**

Unlike publicly traded companies that are valued through market-driven stock prices, the valuation of private companies, especially startups, is difficult to assess. The issuer will set the share price of the investment and there is a risk of overpaying for that investment.

**Risk of Failure of the Startup**

Investments in startups are speculative and these companies often fail. Unlike an investment in a mature business where there is a track record of revenue and income, the success of a startup often relies on the development of a new product or service that may or may not find a market.

**Risk of Profitability of Startup Companies**

A startup company is still in an early phase and may be just beginning to implement its business plan. There can be no assurance that it will ever operate profitably. The likelihood of achieving profitability should be considered in light of the problems, expenses, difficulties, complications and delays usually encountered by companies in their early stages of development. The startup company may not be successful in attaining the objectives necessary for it to overcome these risks and uncertainties.

**Funding risk**

A startup company may require funds in excess of its existing cash resources to fund operating expenses, develop new products, expand its marketing capabilities, and finance general and administrative activities. Due to market conditions at the time the startup company needs additional funding, it is possible that the company will be unable to obtain additional funding when it needs it, or the terms of any available funding may be unfavorable. If the company is unable to obtain additional funding, it may not be able to repay debts when they are due, or the new funding may excessively dilute existing investors. If the company is unable to obtain additional funding as and when needed, it could be forced to delay its development, marketing and expansion efforts and, if it continues to experience losses, potentially cease operations.

**Disclosure risks**

The startup company is at an early stage and may only be able to provide limited information about its business plan and operations because it does not have fully developed operations or a long trading history. The company is also only obligated to provide limited information regarding its business and financial affairs to investors.

**Personnel risks**

An investment in a startup is also an investment in the management of the company. Being able to execute on the business plan is often an important factor in whether the business is viable and successful. The startup company's management may not have the necessary expertise and experience to deliver on the company's business plan.

**Growth risk**

For a startup to succeed, it will need to expand significantly. There can be no assurance that it will achieve this expansion. Expansion may place a significant strain on the company's management, operational and financial resources. To manage growth, the company will be required to implement operational and financial systems, procedures and controls. It also will be required to expand its finance, administrative and operations staff. There can be no assurance that the company's current and planned personnel,

systems, procedures and controls will be adequate to support its future operations. The company's failure to manage growth effectively could have a material adverse effect on its business, results of operations, and financial condition.

**Competition risk**

The startup may face competition from other companies, some of which might have received more funding than the startup has. One or more of the company's competitors could offer services similar to those offered by the company at significantly lower prices, which would cause downward pressure on the prices the company would be able to charge for its services. If the company is not able to charge the prices it anticipates charging for its services, there may be a material adverse effect on the company's results of operations and financial condition.

**Market demand risk**

While a startup company believes that there will be customer demand for its products, there is no assurance that there will be broad market acceptance of the company's offerings. There also may not be broad market acceptance of the company's offerings if its competitors offer products which are preferred by prospective customers. In such event, there may be a material adverse effect on the company's results of operations and financial condition, and the company may not be able to achieve its goals.

**Control risks**

Because the company's founders, directors and executive officers may be among the company's largest stockholders, they can exert significant control over the company's business and affairs and have actual or potential interests that may depart from Mobio's. The company's founders, directors and executive officers may own or control a significant percentage of the startup company. In addition to their board seats, such persons will have significant influence over corporate actions requiring stockholder approval, irrespective of how the company's other shareholders, including Mobio, may vote.

**Cyber Security Risks**

As the Company continues to increase its dependence on information technologies to conduct its operations, the risks associated with cyber security also increase. The Company relies on management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm its operations and materially adversely affect its operation results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error. The Company's exposure to cyber security risks includes exposure through third parties on whose systems it places significant reliance for the conduct of its business. The Company has implemented security procedures and measures in order to protect its systems and information from being vulnerable to cyber-attacks. The Company believes these measures and procedures are appropriate. To date, it has not experienced any material impact from cyber security events. However, it may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications

**9. ACCOUNTING POLICIES & USE OF CRITICAL ESTIMATES**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. An area subject

to significant estimates is the impairment of financial and non-financial assets. Actual results could differ from those estimates.

The preparation of these condensed consolidated interim financial statements required the use of judgment with respect to assessing whether certain acquisitions meet the definition of a “business” as defined in IFRS 3, Business Combinations. Those acquisitions which meet the definition of a business are accounted for as a business combination using the purchase method and require the purchase price to be allocated to the fair values of the net assets acquired, including any intangible assets that may have arisen as a result of the acquisition, with the remainder of the purchase price allocated to goodwill. Those acquisitions which did not meet the definition of a business are accounted for as a purchase of assets. The judgment applied to making this determination includes assessing whether the acquisition contains inputs, processes, and outputs as described in IFRS 3.

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to asset impairment. The recoverable amount of an asset or a cash generating unit (“CGU”) is determined using the greater of fair value less costs to sell and value in use which requires the use of various judgments, estimates, and assumptions. The Company identifies CGUs as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets. Value in use calculations require estimations of discount rates and future cash flows derived from revenue growth, gross margin and operating costs. Fair value less costs to sell calculations require the Company to estimate fair value of an asset or a CGU using market values of similar assets as well as estimations of the related costs to sell.

Management has applied judgments in the assessment of the Company’s ability to continue as a going concern when preparing its condensed consolidated interim financial statements for the period ended October 31, 2019. Management prepares the condensed consolidated interim financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, current working capital levels, and potential sources of replacement financing.

As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecast and expectations with respect to access to financing for the next twelve months.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## **10. OUTSTANDING SHARE DATA**

As of the date of this MD&A, 38,147,546 common shares were issued and outstanding.

As of the date of this MD&A, the Company had the following share purchase warrants issued and outstanding:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
15,000	\$ 0.10	January 25, 2020
1,666,670	\$ 0.30	March 26, 2020
50,000	\$ 0.30	April 23, 2020
4,068,750	\$ 0.30	August 24, 2020
5,483,334	\$ 0.10	January 25, 2021
2,383,332	\$ 0.10	January 30, 2021
13,667,086		

As of the date of this MD&A, the Company had the following stock options issued and exercisable:

<b>Outstanding (#)</b>	<b>Exercisable (#)</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
387,500	346,875	0.22	Jan. 19, 2028