

FRNT Financial Inc.
(also referred to as “FRNT”, the “Corporation”, or the “Company”)

Management’s Discussion & Analysis

The following management’s discussion and analysis should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2022 and 2021 prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

Date

This management’s discussion and analysis (“MD&A”) is dated October 27, 2022 and is in respect of the year ended June 30, 2022. The discussion in this MD&A focuses on this period. Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. This MD&A is prepared in conformity with National Instrument 51-102F1 and has been approved by the Board of Directors.

Disclaimer for Forward-Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” or similar expressions. These statements represent management’s best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Description of the Business

FRNT Financial Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on April 24, 2018. The Company’s head office and registered records office is located at 49 Wellington Street East, Unit 200, Toronto, Ontario, M5E 1C9. The Company is a financial technology company that provides a capital markets trading platform for institutional investors to access alternative trade opportunities.

During the year ended June 30, 2022, the Company filed a preliminary prospectus and then a final prospectus pursuant to its goal of completing an Initial Public offering (“IPO”). The Company completed its IPO on April 12, 2022 and its common shares were listed on the TSX Venture Exchange on April 19, 2022, under the trading symbol “FRNT”.

FRNT is a next generation institutional sales and trading platform. The Company intends to present a new set of opportunities, primarily through synthetic exposure to cryptocurrency, targeted to institutional investors (non-retail) while maintaining a lean, technology-forward operation. FRNT further believes that synthetic products (such as over-the-counter derivatives) offer a more operationally efficient method of exposure in many circumstances, as opposed to direct ownership of the underlying assets.

FRNT leverages different technologies in its business, including: (i) its SEM Trade user interface and chat interface to interact with clients and automatically deliver quotes for OTC derivatives; and (ii) front-end and back-end trading technology developed by FRNT and licensed to different trading firms.

FRNT is a next generation capital markets platform targeting institutional investors as clients. FRNT's focus is to deliver these clients expertise and products which allow them to effectively access alternative trade opportunities, such as those available in cryptocurrency. FRNT's client-facing business lines are: (i) OTC derivatives; (ii) technology licensing around 'deliverable' services; (iii) treasury management; and (iv) research licensing.

On December 7, 2020, the Company incorporated a wholly owned subsidiary, FRNT Asset Management Inc. ("FRNT AM"). FRNT AM is in the process of applying to the Ontario Securities Commission for registration as a portfolio manager. Once registration is completed, FRNT AM will solicit asset managers to sub-advise funds on its behalf.

Consolidation

The Company's consolidated financial statements are presented on a consolidated basis and include the accounts of the Company and its controlled subsidiary. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of the controlled subsidiary is as follows:

Entity	Principal activities	Country of incorporation	Percentage Owned	
			June 30, 2022	June 30, 2021
FRNT Asset Management Inc.	Financial technology services	Canada	100%	100%

Summary of Quarterly Results

The following table provides selected quarterly financial data for the eight most recently completed quarters:

	Three months ended							
	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	March 31, 2021	Dec 31, 2020	Sept 30, 2020
Revenue	73,169	133,551	58,276	27,981	27,531	41,581	30,688	9,890
Net income (loss) for the period	(1,677,727)	(509,261)	(439,978)	(99,923)	(1,605,562)	(249,917)	71,852	(282,234)
Basic and diluted loss per share	(0.05)	(0.02)	(0.01)	(0.00)	(0.02)	(0.01)	0.00	(0.01)

The Company incurred a net loss of \$1,677,727 during the three months ended June 30, 2022 compared to a net loss of \$1,605,562 during the 2021 comparative period. This change is mostly derived from an increase in salaries and wages of \$151,739 due to growing operations, as well as an increase in professional fees, investor relations, and general and administrative expenses of \$41,257, \$505,125, and \$137,543, respectively. The Company did not incur investor relations expenses in the comparative period. In the current period, the Company incurred significant investor relations expenses as part of the IPO process and subsequently as a public company. The increase in professional fees was largely due to an increase in

accounting fees leading up to the Company's IPO. In addition, the Company expensed \$636,863 in listing expenses upon the closing of its IPO in the current period, most of these costs were deferred in prior periods pending the completion of the IPO. The increase in net loss was offset by a decrease in share-based payments of \$884,803 as 2,500,000 compensation options vested immediately in the comparative period compared to graded vesting of remaining options in the current period. The increase in the net loss was further offset by an increase in revenue of \$45,638, driven by consulting fees of \$60,000 generated in the current period compared to \$nil in the prior period, and the realized gain on investments of \$620,408 recorded in the current period due to the partial redemption of shares held in the Paradox Fund. The majority of the realized gain on investments were previously recorded as an unrealized gain and as a result the realized gain in the period is partly offset by a \$485,951 loss resulting from the change in the accumulated unrealized gain on the investment. The increase in net loss was also offset by an increase in SR&ED tax credits of \$145,142, which resulted from the Company filing its SR&ED refund application for its fiscal 2021 expenditures during the year ended June 30, 2022.

The Company incurred a net loss of \$509,261 during the three months ended March 31, 2022 compared to a net loss of \$249,917 during the 2021 comparative period. This change is mostly derived from lower appreciation of the Company's shares in the Paradox Fund by \$744,210 in comparison to the comparative period. With growing operations, salaries and wages increased by \$117,485 due to additional employees and general and administrative expenses increased by \$123,220. These amounts are offset by lower share-based compensation by \$586,383, as higher compensation was recorded in the comparative period due to a higher volume of granted options, many of which vested on the date of grant. The Company experienced an increase in revenue by \$91,970, this increase is mostly a result an increase in consulting revenue of \$130,006 via consulting services provided. The Company also generated a realized gain of \$1,007,271 recognized on the Company's partial redemption of its shares held in the Paradox Fund. This gain was previously reported as unrealized and, as a result of the redemption, the unrealized gain was reversed through the change in unrealized gain on investment line item in the financial statements.

The Company incurred a net loss of \$439,978 during the three months ended December 31, 2021 compared to a net income of \$71,852 during the 2020 comparative period. This change was largely due to an increase in operating expenses of \$330,763 which can mainly be attributed to an increase in share-based payments expense, salaries and wages and general and administrative expenses. Share-based payments increased by \$124,649 due to an increase in the number of stock options vested in the quarter. As a result of the Company's growing operations, salaries and wages increased by \$188,514 due to the addition of new employees, along with an increase in general and administrative expenses of \$69,945. The Company also saw a decrease of \$194,523 in the unrealized appreciation of investments during the three months ended December 31, 2021 compared to the 2020 comparative period. The Company saw an increase in revenue during the three months ended December 31, 2021, as a result of recognized consulting revenue of \$50,000, which resulted from a short-term contract that concluded at the end of the quarter. Advisory and management fee revenue of \$8,276 for the three months ended December 31, 2021 decreased compared to \$30,688 during the 2020 comparative period due to a decrease in the fee percentage taken as revenue while the Company saw and overall increase in total transaction value from trading activity from the Company's sole customer.

The Company incurred a net loss of \$99,923 during the three months ended September 30, 2021 compared to a net loss of \$282,234 during the 2020 comparative period. This change was due to a \$461,718 increase in operating expenses as a result of the Company's growing operations during the three months ended September 30, 2021 compared to the 2020 comparative period. As well as \$166,450 in share-based payments expenses incurred by the Company in relation to options granted and vested during the three months ended September 30, 2021 and \$185,755 in professional services, in particular, offset by an unrealized appreciation of \$553,671 in relation to the Company's Paradox Fund investment contributed to this net loss.

Selected Annual Financial Information

The following table sets out selected annual financial information for our Company, which has been prepared in accordance with IFRS:

Year ended June 30,	2022	2021	2020
Total revenue	\$292,977	\$109,690	\$104,063
Total operating expenses	\$3,319,810	\$2,983,358	\$586,149
Net loss and comprehensive loss	\$(2,726,889)	\$(2,065,861)	\$(358,963)
Basic and diluted (loss) income per share	\$(0.09)	\$(0.08)	\$(0.02)
Weighted average number outstanding	32,015,082	27,225,524	24,492,864

As at June 30,	2022	2021	2020
Cash	\$3,403,771	\$1,497,895	\$642,325
Current assets	\$8,309,693	\$5,496,341	\$1,933,120
Total assets	\$8,639,327	\$5,503,236	\$1,933,120
Total liabilities	\$768,985	\$577,206	\$350,765
Shareholders' equity	\$7,870,342	\$4,926,030	\$1,582,355

Results of Operations for the year ended June 30, 2022

For the year ended June 30, 2022, revenues increased by \$183,287 in comparison to the comparative year. In the current year, the Company generated consulting revenue of \$240,006 via consulting services provided. Advisory and management fee revenue decreased by \$48,809 due to a decrease in the fee percentage taken as revenue while the Company saw an overall increase in total transaction value from trading activity. The Company did not recognize any advisory and management fee revenue pertaining to over-the-counter synthetic exposure mechanism based derivative trades during the year ended June 30, 2022.

For the year ended June 30, 2022, the Company incurred a net loss of \$2,726,889 compared to a net loss of \$2,065,861 for the year ended June 30, 2021. This increase stems from several things. The overall gain from the Company's investment in the Paradox Fund was \$55,972 lower, when considering the net realized gain and change in the cumulative unrealized gain, compared to the prior period. In the current period, the Company incurred significant investor relations expenses as part of the IPO process and subsequently as a public company. As a result of growing operations, salaries and wages increased by \$520,213 due to the addition of new employees, general and administrative costs increased by \$390,671, and professional fees increased by \$158,775 due to greater accounting and legal fees. These increases are offset by lower share-based compensation by \$1,191,876, as higher compensation was recorded in the comparative period due to the timing and vesting of options. These increases are also partially offset by an increase in SR&ED tax credits of \$143,806, which was recorded upon the Company filing its SR&ED refund application for its fiscal 2021 expenditures during the year ended June 30, 2022.

Adjusting the net loss for the period for non-cash items (i.e. interest expense, change in unrealized gain on investments, government assistance, share-based compensation and depreciation) and listing expenses, would result in an adjusted net loss of \$539,066 for the year ended June 30, 2022 compared to an adjusted net loss of \$1,097,309 for the same period in 2021:

Year ended June 30,	2022	2021
Net loss and comprehensive loss	\$(2,726,889)	\$(2,065,861)
Interest expense	25,065	10,159

Change in unrealized (gain) loss on investment	841,322	(842,329)
Government assistance	(3,306)	(28,025)
Share-based payments	634,605	1,826,481
Depreciation	53,274	2,266
Listing expenses	636,863	-
Adjusted net loss	539,066	1,097,309

Results of Operations for the three months ended June 30, 2022

For the three months ended June 30, 2022, revenues increased by \$45,638 from the comparative period mostly due to the Company generating consulting revenue of \$60,000 from consulting services provided. Advisory and management fee revenue decreased by \$6,452 due to a decrease in the fee percentage taken as revenue while the Company saw and overall increase in total transaction value from trading activity. The Company generated no licensing revenue in the period compared to \$7,910 in the comparative period.

For the three months ended June 30, 2022, the Company incurred a net loss of \$1,677,727 compared to a net loss of \$1,605,562 in the comparative period. This increase stems from several things. The overall gain from the Company's investment in the Paradox Fund was \$237,780 higher, when considering the net realized gain and change in the cumulative unrealized gain, compared to the prior period. In the current period, the Company incurred significant investor relations expenses as part of the IPO process and subsequently as a public company. As a result of growing operations, salaries and wages increased by \$151,739 due to the addition of new employees, general and administrative costs increased by \$137,543, and professional fees increased by \$41,257 due to greater accounting and legal fees. These increases are offset by lower share-based compensation by \$884,803, as higher compensation was recorded in the comparative period due to the timing and vesting of options. The increase in net loss was also offset by an increase in SR&ED tax credits of \$143,806, which resulted from the Company filing its SR&ED refund application for its fiscal 2021 expenditures during the year ended June 30, 2022.

Adjusting the net loss for the period for non-cash items (i.e. interest expense, change in unrealized gain on investments, government assistance, share-based payments and depreciation) and listing expenses, would result in an adjusted net loss of \$331,806 for the three months ended June 30, 2022 compared to an adjusted net loss of \$422,079 for the same period in 2021:

Three months ended June 30,	2022	2021
Net loss and comprehensive loss	\$(1,677,727)	\$(1,605,562)
Interest expense	8,653	2,707
Change in unrealized (gain) loss on investment	485,951	103,323
Government assistance	-	-
Share-based payments	191,888	1,076,691
Depreciation	22,566	762
Listing expenses	636,863	-
Adjusted net loss	\$ 331,806	\$ 422,079

Disclosure of Outstanding Share Data

Authorized share capital of the Company consists of:

- an unlimited number of Class A common shares, non-cumulative discretionary dividends, voting, no par value
- an unlimited number of common shares, non-cumulative discretionary dividends, voting, no par value.

As of October 27, 2022, the Company had 35,149,329 common shares issued and outstanding. In addition, there are 2,200,000 warrants, 3,328,453 stock options outstanding, and 2,500,000 compensation options outstanding.

Liquidity and Capital Resources

Historically and prospectively, the Company's primary source of liquidity and capital resources has been proceeds from the issuance of common shares. Based on our current level of operations and our expected results of operations over the next 12 months, we believe that cash generated from operations and anticipated future capital raises, will be adequate to meet our anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months. However, we cannot be certain that our business will be able to raise capital through the issuance of equity to continue operations.

As at June 30, 2022, the Company had working capital of \$7,751,413 (June 30, 2021: \$4,953,793). Working capital mainly increased due to an increase of cash of \$1,905,876. The increase in cash is primarily due to the \$5,100,346 in net proceeds from the issuance of shares as part of the IPO along with the proceeds on redemption of investments of \$1,908,018 which is partially offset by \$1,733,737 reinvested in the Paradox Fund, \$3,243,373 of cash outflows from operating activities, \$63,750 dividends paid, \$33,046 of principal lease payments and \$28,582 on purchases of equipment.

Working capital without the Company's investment in the Paradox Fund as at June 30, 2022 would be \$6,045,709 (June 30, 2021: \$1,024,088). As at June 30, 2022, the Company had cash on hand of \$3,403,771 (June 30, 2021: \$1,497,895) to meet accounts payable and accrued liabilities of \$263,521 (June 30, 2021: \$322,557). In the event the Company has insufficient cash to meet its accounts payable and accrued liabilities, it intends to redeem its investment in the Paradox Fund as needed to fund business operations and investment.

Net cash used in operating activities for the year ended June 30, 2022 was \$3,243,373 compared to \$777,364 in the comparative period. Included in net cash used in operating activities for the year ended June 30, 2022 is \$636,863 (June 30, 2021: \$nil) in cash used related to the Company's IPO. The Company continues to generate net losses and negative cash flows from operating activities due to the revenues still being insufficient in size to cover its operating expenses. The Company expects to have sufficient working capital to meet any operating cash outflow or working capital requirements for the immediate future. This expectation relies on the Company redeeming its investment in the Paradox Fund as and if necessary (See "Investment in Paradox Fund").

Net cash generated from investing activities for the year ended June 30, 2022 was \$145,699 compared to net cash used of \$2,010,121 in the 2021 comparative period. This change in net cash used/generated is mostly due to investment activities with regard to the Paradox Fund. In the comparative period, the Company spent \$2,000,960 to acquire 1,600 shares in the fund. In the year ended June 30, 2022, the Company generated \$3,010,358 from the net redemption (redemptions received and receivable net of reinvestments) of 1,758 shares in the fund.

Net cash generated from financing activities for the year ended June 30, 2022 was \$5,003,550 compared to \$3,643,055 generated in the 2021 comparative period. Amounts generated in the 2021 comparative period are mostly derived from the completion of a private placement of 4,000,000 share subscription units on March 31, 2021. Amounts generated in 2022 were related to the completion of an IPO in April 2022 for net proceeds of \$5,100,346.

Other Factors Affecting Liquidity

On April 12, 2022, the Company closed its initial public offering of 4,000,000 common shares at \$1.50 per common share for total gross proceeds of \$6,000,000. The Company may raise additional equity or debt capital or enter into arrangements to secure necessary financing to fund the completion of development projects, to meet obligations or for the general corporate purposes of the Company. Such arrangements may take the form of loans, strategic agreements, or other agreements. The sale of additional equity could result in additional dilution to the Company's existing shareholders, and financing arrangements may not be available to us, or may not be available in sufficient amounts or on acceptable terms.

Reconciliation of Use of Proceeds from Financing Activities

The following table sets out a comparison of how the Company intended to use the net proceeds from its IPO financing that closed in April 2022 (as described in the Prospectus) and its actual use of the proceeds from the closing of the IPO to date. The Company is tracking towards achieving its objectives and has not experienced any significant variances compared to its intended use to date.

Objective	Intended use of net proceeds	Actual spend to date	Remaining
Scaling initiatives (Business Objective #1)	\$960,000	\$274,145	\$685,855
Regulatory and legal requirements review (Business Objective #2)	\$3,300,000	\$579,922	\$2,720,078
Total	\$4,260,000	\$854,067	3,405,933

Investment in Paradox Fund

The Company holds an investment of 0.55% (being \$1,323,148 USD of total assets under management) (June 30, 2021: 7.98%) in the Paradox Fund, a fund registered in the Cayman Islands. As at June 30, 2022 the investment in the Paradox Fund represents 20% of the Company's total assets.

The reconciliations of investments are presented as follows:

	June 30, 2022	June 30, 2021
Balance, beginning of period	\$ 3,929,705	\$ 1,086,416
Purchase of shares	1,733,737	2,000,960
Proceeds on redemption of shares	(4,744,095)	-
Realized gain on investment	1,627,679	-
Change in unrealized gain (loss) on investment	(841,322)	842,329
Balance, end of period	\$ 1,705,704	\$ 3,929,705

The Paradox Subscription Agreements placed conditions on the redemption of Paradox Fund shares. These conditions require FRNT, if it were to redeem all or part of its shares, to do so by providing ninety (90) days prior written notice to the Paradox Fund. FRNT would also be subject to a certain redemption fee if the

redemption request is made within twelve (12) months of the date of subscribing for the shares being redeemed. Thereafter, subject to certain conditions as set forth in the Memorandum, the Paradox Fund would endeavor to pay the redemption proceeds within thirty (30) days, or if the redemption request is submitted within twelve (12) months of the date of subscribing for the shares being redeemed, the Paradox Fund shall make the redemption payments within ninety (90) days.

On January 1, 2022 and June 30, 2022, the Company redeemed \$1,500,000 USD and \$2,200,000 USD, respectively, of its investment in the Paradox Fund. These redemption were made without penalty and the cash from redemption was received by the Company for use in operations. During July 2022, the Company reinvested \$2,200,000 USD into the Paradox Fund.

Transactions with Related Parties

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Related parties consist of the following individuals:

- Stéphane Ouellette, CEO and director
- Alex McAulay, CFO
- Adam Rabie, Director
- Dan Cristall, Director
- Eric Richmond, Director
- Geoff Browne, Director
- David Washburn, President

Remuneration attributed to key management personnel are summarized as follows:

	2022	2021
Salaries and wages		
Stéphane Ouellette	\$ 166,346	\$ 80,272
Alex McAulay	3,643	-
Share-based payments		
Eric Richmond	48,575	2,975
Dan Cristall	42,305	16,509
Geoff Browne	53,095	-
Alex McAulay	182,643	-
David Washburn	14,644	-
Professional fees		
Company controlled by Alex McAulay	116,596	-
Company controlled by David Washburn	58,929	-
Listing expenses		
Company controlled by Alex McAulay	22,527	
Share issuance cost		
Company controlled by Alex McAulay	2,893	
Total	\$ 712,196	\$ 99,756

Other related party transactions:

During the year ended June 30, 2022, the Company earned advisory and management fees of \$52,971 (June 30, 2021: \$94,271) from customer agency trades with Paradox Fund.

As at June 30, 2022, \$20,476 (June 30, 2021: \$10,595) in accounts payable and accrued liabilities were owed to ACM Management Inc., a Company controlled by Alex McAulay.

As at June 30, 2022, \$3,862 (June 30, 2021: \$Nil) in accounts payable and accrued liabilities were owed to Alex McAulay.

As at June 30, 2022, \$8,364 (June 30, 2021: \$1,657) in accounts payable and accrued liabilities were owed to Stéphane Ouellette.

As at June 30, 2022, \$Nil (June 30, 2021: \$44,382) in accounts receivable was owed in relation to customer agency trades with Paradox Fund.

Financial Instruments

The Company's financial instruments that are recorded at fair value generally are classified within Level 1 or Level 3 within the fair value hierarchy using quoted market prices or quotes from administrators.

As at June 30, 2022 and June 30, 2021, cash was classified at Level 1 in the fair value hierarchy. The Company's investment was classified at Level 3 in the fair value hierarchy.

The Company's exposure to financial instrument related risks and the methods used to manage those risks have not changed significantly over the last year. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market prices. Market risk comprised three types of risk: foreign exchange risk, interest rate risk and other price risk. Market risk arises as a result of the Company generating revenues in foreign currencies, holding assets in foreign currencies, holding liabilities with variable interest rates and measuring investments at fair value.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As at June 30, 2022, the Company is exposed to foreign exchange risk through its US denominated investment, trade and other receivables and cash balances of \$1,323,148 USD, \$2,203,341 USD and \$136,374 USD (\$1,705,704 CAD, \$2,840,384 CAD and \$175,803 CAD) respectively. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at June 30, 2022 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the Canadian dollar would result in an increase or decrease of approximately \$472,000 (June 30, 2021: \$460,000) in the Company's profit or loss.

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 outstanding promissory note payable bears interest equal to the prime rate. Since this is a floating interest rate, a 1% increase in the interest rate on

the promissory note would change net losses by approximately \$2,000 for the year ended June 30, 2022 (June 30, 2021: \$2,000).

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to the individual investment or its issuers or factors affecting all financial instruments traded in the market. A 10% increase (decrease) in the quotes obtained from third-party administrators on the investment would change net losses by approximately \$170,570 (June 30, 2021: \$393,000).

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and trade and other receivables are exposed to credit risk.

The Company reduces its credit risk on cash by placing these instruments with either Schedule 1 Canadian bank or reputable institutions with a sufficiently long operating history to be considered reliable for credit worthiness purposes.

The Company manages its exposure to accounts receivable credit risk by assessing the associated risk of default prior to accepting new customers, monitoring the level of accounts receivable attributable to each customer, the length of time taken for amounts to be settled, and maintaining reserves for potential credit losses. In addition, if the age of an outstanding invoice reaches one year, the Company records an allowance for the doubtful account for the full amount of the invoice. Where necessary, management takes the appropriate action to collect those balances considered overdue.

Management does not believe that there is significant credit risk arising from the current customer base. The maximum exposure to loss arising from trade and other receivables is equal to their total carrying amounts. 82% of the trade receivable balance at June 30, 2022 relates to one customer in Canada. This outstanding balance was collected in full subsequent to June 30, 2022. Trade and other receivables also includes refundable SR&ED tax credits which bears minimal risk as it is receivable from the Canadian government. The Company has determined that no allowance is required as all amounts outstanding are considered collectible.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of debt and equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

The table below summarized the maturity profile of the Company's financial liabilities based on the remaining period to the contractual maturity date as at June 30, 2022 and June 30, 2021.

June 30, 2022	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 263,251	\$ -	\$ -	\$ 263,251
Loans payable	-	-	34,658	34,658
Promissory note payable	-	227,915	-	227,915

June 30, 2021	On demand	Less than 1 year	1-3 years	Total
Accounts payable and accrued liabilities	\$ 322,557	\$ -	\$ -	\$ 322,557
Loans payable	-	-	34,658	34,658
Promissory note payable	-	219,991	-	219,991

Capital Management

The Company's objectives when managing capital are to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk level. The Company considers its capital for this purpose to be its equity, \$7,870,342 (June 30, 2021: \$4,926,030).

The Company's primary source of capital is through the issuance of common shares and debt. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control. During the year ended June 30, 2022, the Company closed its IPO of 4,000,000 common shares for gross proceeds of \$6,000,000. There are no external restrictions on the management of capital. There have been no changes in the way in which the Company manages capital in the year.

Critical Accounting Estimates and Judgments

This MD&A is based on the consolidated financial statements which have been prepared in accordance with IFRS. The preparation of the consolidated financial statements requires that certain estimates and judgements are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances.

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgements and estimates. 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 is 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 subsidiary in future periods. Given that the full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the global economy and the Company's business is highly uncertain and difficult to predict at this time, there is a higher level of uncertainty with respect to management's judgements and estimates.

The Company's business, financial condition, and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy, the industry the Company operates in, and other industries in general could negatively affect the business and may make it more difficult to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position, and cash flows in the future.

Judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are outlined below.

Functional currency

Functional currency was determined based on the currency that mainly influences salaries and wages, and in which financing is raised. The Company applies judgment in determining its functional currency given that revenue and expenses are denominated in both USD and CAD.

Investment tax credits

The Company must exercise judgement when assessing the qualification of research and development expenditures for determining SR&ED tax credits receivable.

Deferred share issuance and listing expenses

Management applies judgement when assessing whether costs are incurred in association with issuing shares or the Company's IPO transaction. Costs related to these activities are capitalized. Upon completion of the related share financing or IPO transaction these costs are allocated to share issuance costs and listing expenses, respectively.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

Valuation of unquoted equity instruments

For investments where observable inputs are not available, the fair value may be based on quotes obtained from third-party administrators who determines the estimated fair value in accordance with the applicable valuation policy. Unrealized and realized gains and losses on investments are recognized in profit or loss.

Share-based payments

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date on which they are granted using the Black-Scholes option pricing model. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield, and forfeiture rate.

Significant Accounting Policies

The accounting policies followed by the Company are set out in Note 3 of the audited consolidated financial statements of the Company for the years ended June 30, 2022 and 2021. The following accounting policies were adopted by the Company during the year ended June 30, 2022.

Deferred share issuance and listing expenses

Costs related to future issuances of shares and the Company's IPO transaction are capitalized as incurred. Management applies judgement in assessing whether costs relate to share issuance or IPO activities and should thus be capitalized. Upon completion of the related share financing or IPO transaction, these costs are allocated to listing expenses and share issuance costs.

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

Subsequent Events

During July 2022, the Company reinvested \$2,200,000 USD in the Paradox Fund.

Additional Disclosure for IPO Venture Issuers Without Significant Revenue

During the year ended June 30, 2022 the Company incurred the following research and development expenses pursuant to the development of its technology platform:

	For the year ended	
	June 30, 2022	June 30, 2021
Salaries and wages	\$ 436,907	\$ 332,376
Subcontractors	-	49,946
Total research and development	\$ 436,907	\$ 382,322

The Company plans to finance its research and development activities through the April 12, 2022 IPO offering and ongoing operations. Through continued improvements to its technology platform, the Company expects to increase revenues from technology licensing. These revenues will be used to fund anticipated operating expenses. The Company expects to focus on the following milestone and feature developments over the next 6 – 12 months:

Milestone/Feature	Description
Market Data Dashboard	Creating a UI which integrates various metric across the ecosystem into an easily digestible unified experience
Automated market makers	Streamlining order flows with automated market maker pricing in order to enhance and scale trade order processes
Security Audits	Auditing all API endpoints to ensure access controls based on user roles
Automated Testing and Deployment Systems	Greatly increasing the code coverage of our automated testing suites
Rewriting of our chat/trade bot infrastructure	Enabling safer and more rapid deployment of new features
Performance/Scalability	Enhancing of the code base to more easily enable chat bots on a variety of platforms, which was key to enabling the new Telegram trade experience
UI/UX	Integration of a number of new tools around reporting, monitoring, performance & tracing to ensure handling and responding to increasing load. After a recent refactoring of the entire backend infrastructure there is currently a lot of runway
News Bots	After having put a lot of focus on our backend infrastructure we have brought on new team members with a focus on UI/UX & design. They will be key in reimagining some of our key client facing functions as well as unifying and refactoring our front end code bases into into something that can speed up development as well as enable better user experiences

The Company expects to incur \$904,000 in research and development costs in conjunction with these milestones and features. \$544,000 of these costs is expected to be incurred on developer compensation with the remaining \$360,000 to be expended on scaling the Company's technology platform for future expansion.

Management's Responsibility for Financial Statements

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of internal controls over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the year ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.