



01 Communique Laboratory Inc.

Interim Management Discussion and Analysis

For the period ended July 31, 2021

(Unaudited)

TSX-V: ONE; OTCQB: OONEF

Dated: September 8, 2021

01 COMMUNIQUE LABORATORY INC.

Management Discussion and Analysis
(In Canadian dollars)

Three and nine months ended July 31, 2021 and 2020

1. Introduction:

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (the “MD&A”) has been prepared by management and is a review of the consolidated operating results and financial position of 01 Communique Laboratory Inc. (“01 Communique” or the “Company”), based upon International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the Company’s unaudited consolidated financial statements and notes to the unaudited consolidated financial statements as at and for the three and nine months ended July 31, 2021.

The Company maintains appropriate systems of internal control, policies, and procedures that provide management reasonable assurance that assets are safeguarded and that its financial information is reliable.

This document and the related audited consolidated financial statements were authorized for issue by the board of directors on September 8, 2021.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of September 8, 2021.

Additional information on the Company, including its audited consolidated financial statements, is filed on SEDAR.

2. Forward-looking statements:

This MD&A contains certain statements that may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements use such words as “may”, “will”, “expect”, “believe”, “plan”, “intend”, “are confident” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, risk factors discussed in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

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3. Corporate overview:

The Company has two business units. Its primary focus is on its cyber security business unit focusing on post-quantum cybersecurity with the development and commercialization of its IronCAP™ technology. IronCAP™'s patent-pending cryptographic system is an advanced Goppa code-based post-quantum cryptographic technology that can be implemented on classical computer systems as we know them today while at the same time can also safeguard against attacks in the future post-quantum world of computing. The Company's other business unit consists of its remote access business which provides its customers with a suite of secure remote access services and products under its I'm InTouch and I'm OnCall product offerings.

(i) Cyber Security.

There is a new breed of computer in development today called Quantum Computers. A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption insecure. Public key encryption is a cornerstone of cyber security today and Quantum Computers may have the ability to hack applications that are based on and using public key encryption. As a result, the Company has devoted a significant amount of time researching this new disruptive cyber security technology and based on this research has proceeded with the development and commercialization of products incorporating our IronCAP™ technology that the Company believes will be secure against Quantum Computer attacks.

The Company believes its IronCAP™ technology has wide ranging applications and is applicable for a number of vertical markets, including but not limited to Virtual Private Networks (VPNs), financial transactions, block-chain networks, cloud storage, development of web sites, password protection and email security. Essentially, whenever data is required to be kept safe from malicious attacks from hackers the Company's IronCAP™ technology is applicable.

The Company has developed and plans to continue to develop new products based on its IronCAP™ technology. The IronCAP™ API and IronCAP X™ are the first of these products to be released.

- (1) IronCAP™ Application Program Interface ("API") was released in August 2019. The IronCAP™ API is available to vendors and can be used by vendors, for example, to build highly secure "post-quantum" systems for blockchain, 5G/IoT, data storage, remote access/VPN, encryption, digital signing etc. using the standard PKCS#11 and OpenPGP formats.
- (2) IronCAP X, a new cybersecurity product for email/file encryption was released on April 23, 2020 and v1.1 in August 2020. This digital signature system is built by implementing the patent application to provide end-to-end encrypted messages. IronCAP X™ has two major differentiations from what is in the market today. Firstly, offerings in today's market store users secured emails on email-servers for recipients to read, making email-servers a central target of cyber-attack. IronCAP X™, on the other hand, delivers each encrypted message end-to-end to the recipients such that only the intended recipients can decrypt and read the message. Consumer's individual messages are protected, eliminating the

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hackers' incentive to attack email servers of email providers. Secondly, powered by our patent-pending technology, we believe IronCAP X™ is the world's first quantum-safe, digital signature email system; secured against cyberattacks from today's systems and from quantum computers in the future. Consumers and businesses using our new cybersecurity product will have tomorrow's cybersecurity today.

The Company is marketing the IronCAP™ API and IronCAP X™ through a combination of forging partnerships along the lines of the one for its remote access services and products with Hitachi Business Solution Create Ltd. ("Hitachi Business Solution Create") to create awareness and grow revenue as well as marketing IronCAP X™ through its web site making the personal use version available free of charge.

There can be no guarantee that either the development of or commercialization of the Company's IronCAP™ technology will be successful or lead to significant revenues for the Company.

(ii) Remote Access Services and Products.

The Company has developed and markets through its web site a suite of products designed to meet the needs of mobile users who have a requirement for remote access and remote support. These products are marketed under the Company's I'm InTouch and I'm OnCall product lines and are available by a simple download from the Company's web site.

The Company has expended considerable resources in developing and marketing these products. To date these initiatives have not generated sufficient revenue for the Company to become profitable. As the Company moves forward, it plans to maintain its products and make them available from the Company's web site. There can be no assurance that these initiatives will lead to significant revenues for the Company.

The Company has formed a relationship with Hitachi Solutions Create whereby the companies have co-developed products for the Japanese market based on the Company's intellectual property portfolio. Hitachi Solutions Create retains exclusivity for marketing these products in Japan and the Company retains its marketing rights for the rest of the world.

There can be no guarantee that this relationship will continue to lead to an increase in revenues for the Company, or that the relationship will lead to other business opportunities which the Company is trying to secure.

4. Intellectual property:

The Company has two U.S. and one Japanese patent applications for its IronCAP™ technology:

- United States patent application No. 16/268,098 entitled "A Cryptographic System and Method". Our invention relates generally to cryptographic systems and methods. More particularly, our invention relates to public key cryptographic systems and methods that can be used, for example, to build highly secure systems for data storage, access, encryption, decryption, digital signing, and digital signing verification.

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Our cryptographic system is expected to protect our customers against the ever-evolving illegitimate and malicious means of gaining access to their data.

- United States patent application No.16/893,709 for a Cryptographic System and Method that facilitates sending encrypted emails to a recipient. Our invention, as described in the patent application, relates generally to cryptographic systems and methods. In a traditional end-to-end email encryption system, the recipient must first be a user of the system before the sender can send encrypted messages to the recipient. The new method facilitates sending encrypted emails to a recipient without having to first require the recipient to be an existing registered user of IronCAP X. This invention enables a seamless plug-and-play mechanism to automatically invite new IronCAP X users fueling a viral growth pattern.
- Japanese patent application No. 2020-534078 entitled “A Cryptographic System and Method”.

The Company has a number of patents and patent applications which are incorporated in its I'm InTouch and I'm OnCall product and service offerings, as follows:

- United States patent number 6,928,479 (the “ '479 Patent”) entitled "System, computer product and method for providing a private communication portal";
- United States patent number 6,938,076 entitled "System, computer product and method for interfacing with a private communication portal from a wireless device";
- United States patent number 8,234,701 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Canadian patent number 2,524,039 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Canadian patent number 2,309,398, entitled "A system, computer product and method for remotely accessing and controlling a networked computer";
- Japanese patent number 4,875,094 entitled (as translated) "Method of accessing and/or controlling target computer, involves directing proxy server to send digital signal to target computer, so that remote computer is permitted to access/control target computer on receipt of digital signal";
- Japanese patent number 5,832,027 entitled (as translated) "Private communication portal provision system for two-way pager network, has location facility computer for facilitating communication between two other computers"; and
- United States patent application No. 14/486492 entitled "System, computer product and method for implementing a cloud service with private storage"

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5. Third quarter and year to date 2021 Highlights:

The Company continued with work to help ensure the successful commercialization of its IronCAP™ technology as well as building revenue from its remote access service business in Asia-Pacific.

The loss for the third quarter 2021 was \$228,762 (2020 - \$39,816) an increase of \$188,946 and year to date 2021 the loss was \$406,278 (2020 - \$483,341) a decrease of \$77,063.

The adjusted loss for the third quarter 2021 was \$156,135 (2020 - \$14,828) an increase of \$141,307 and year to date 2021 the adjusted loss was \$264,233 (2020 - \$382,251) a decrease of \$118,018. The adjusted loss excludes stock-based compensation and depreciation which are non-cash operating expenses.

Revenue for the third quarter 2021 was \$211,831 (2020 - \$235,160) a decrease of \$23,329 and year to date 2021 revenue was \$722,324 (2020 - \$349,827) an increase of \$372,497.

During the third quarter 2020 the majority of the revenue recognized was for server licenses, which are a one-time amount. For the third quarter 2021 the majority of revenue is the result of recurring subscription revenue. Over the past year the Company's Asia-Pacific business has seen growth from its remote access service with an increase in both subscriber numbers and recurring revenue.

Revenue more than doubled year to date 2021 to \$749,324 from \$349,827 for nine months ended July 31, 2020. This allowed the Company to increase its investment in development and commercialization of IronCAP™. As announced on July 28, 2021 the Company completed and released a new version of DoMobile with enhanced security putting it ahead of the competition. It is now being marketed in Japan by the Company's partner Hitachi Solutions Create, Ltd.

The Company looks forward to a continued increase in subscriber numbers and revenue. Throughout the third quarter 2021 development of the business version of IronCAP X™ continued, and the Company believes it to be the world's first quantum-safe email security product effectively preventing email phishing/fraud. This new offering provides an opportunity for additional revenue and now with an increase in the sales and marketing team supported by a strong development team the Company is preparing to launch it later this year in October. As the launch date gets closer an update will be provided to shareholders.

There was an increase in sales and marketing expenses as we added sales and marketing personnel to work with existing partners and build new partnerships with companies for the integration of the IronCAP™ API with third party applications.

Research and development expenses were increased to complete development of DoMobile V4 for the Japanese market which was launched on July 28th and for development of the business version of IronCAP X™ scheduled for release later this quarter in October.

The Company expects to make significant investments in Company infrastructure over the next few years to support the growth of the business including marketing, sales and business development, R&D, finance and business processes.

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Throughout fiscal 2021 to date the Company continued with its business development efforts forming new partnerships and building on existing partnerships. In addition, it completed a second Bounty Contest. These initiatives are summarized below:

1. On March 25, 2021, the Company announced the results of its Bounty Contest, whereby 807 cybersecurity and quantum experts attempted unsuccessfully to crack IronCAP™'s quantum-safe encryption during the one-month CAD\$100,000 Bounty Contest. No contestants managed to break the code and IronCAP™'s encryption has yet again proven its resilience and robustness. We believe that businesses and governments are very much aware of and preparing for the upcoming quantum threat that has the potential to eviscerate present classical encryption. We look forward to working with leaders who have the foresight to champion early adoption of IronCAP™. Their effort will no doubt be rewarded by best-in-class protection against the detrimental quantum attack.
2. On March 18, 2021 the Company announced a partnership agreement with ISA Cybersecurity a Canadian leading cybersecurity-focused company, with nearly three decades of experience delivering cybersecurity services that organizations and governments have come to trust.
3. On March 23, 2021 the Company announced a partnership agreement with DigiFlynt Tech Ltd., a Dubai-based digital transformation company with market focus on West Africa, UAE and India to sell IronCAP™.
4. On April 6, 2021 the Company announced the signing of a partnership agreement with rThreat Inc., a United States-based cybersecurity company providing breach and attack emulation solutions to help their clients prevent cyberattacks. Upon testing IronCAP™'s algorithm during the month-long Bounty Contest, rThreat Inc. deemed IronCAP™ "uncrackable" and concluded that the attack methodologies for traditional asymmetric encryption algorithms such as RSA, do not apply to IronCAP™. rThreat Inc. plans to use IronCAP™'s technology and encryption methodologies to help create the next generation of custom and forced zero-day artifacts for quantum-era cyberattacks.
5. On May 26, 2021 the Company announced its collaboration with ixFintech and Polydigi Tech to augment the security and protection of ixWallet against mounting cyber-threats. The Company has worked closely with ixFintech in implementing its post-quantum cybersecurity technology to a decentralized digital e-wallet which allows users to store, manage and transfer their digital currencies like Bitcoin. Polydigi Tech is a UK based technology company providing patent-pending identity authentication solution - s-Factr™ which will be applied to ixWallet. Customers' identity will be fully authenticated by - s-Factr™ before accessing any digital service offered through ixWallet. IronCAP's patent-pending cryptography solution will be applied to ixWallet to protect all its in-wallet digital services so that every transaction is secured against both classical and quantum computer threats. This is a continuation of the successful launch of ixFintech's first quantum-safe Digital Asset Exchange machine last year.
6. On July 28, 2021 the Company announced the release of DoMobile v4 in conjunction with Hitachi Solutions Create, Ltd. in Japan with the product availability set for July 28, 2021. This new release has enhanced security putting it ahead of our competitors. It is now being marketed in Japan by the Company's

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partner Hitachi Solutions Create, Ltd. The Company looks forward to a continued increase in subscriber numbers and revenue.

6. Overview of results of operations:

The information in the financial table below present selected financial information for the three and nine months ended July 31, 2021 and 2020. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars

	<i>three months ended</i>		<i>nine months ended</i>	
	<i>31-Jul-21</i>	<i>31-Jul-20</i>	<i>31-Jul-21</i>	<i>31-Jul-20</i>
Revenue	\$ 211,831	\$ 235,160	\$ 722,324	\$ 349,827
Expenses:				
Selling, general and administrative	207,909	111,153	570,400	415,724
Research and development	209,766	120,717	485,871	323,215
Withholding taxes	20,660	22,900	70,651	34,172
	438,334	254,770	1,126,922	773,111
Loss before accretion on liability component of debenture, interest, and other income	(226,503)	(19,610)	(404,598)	(423,284)
Interest on debenture	-	15,000	-	45,000
Accretion on liability portion of debenture	-	4,535	-	13,832
Loss before other income and expense	(226,503)	(39,145)	(404,598)	(482,116)
Interest income	(2,166)	-	(751)	875
Interest expense	1,595	671	2,431	2,100
Loss for the period and comprehensive loss	\$ (228,762)	\$ (39,816)	\$ (406,278)	\$ (483,341)

(a) Revenue:

Revenue attributable to geographical location based on the customer is as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<i>31-Jul-21</i>	<i>31-Jul-20</i>	<i>31-Jul-21</i>	<i>31-Jul-20</i>
United States	\$ 3,814	\$ 4,451	\$ 8,826	\$ 11,891
Canada	1,415	1,704	6,989	7,207
Asia-Pacific	206,602	229,005	706,509	330,729
	\$ 211,831	\$ 235,160	\$ 722,324	\$ 349,827

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Substantially all of the Company's identifiable assets as at July 31, 2021 and October 31, 2020 are located in Canada.

The significant categories of revenue recognized during the periods are as follows:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Royalty and development fees	\$ 206,602	\$ 229,005	\$ 706,509	\$ 330,729
Subscription fees	5,229	6,155	15,815	19,098
	<u>\$ 211,831</u>	<u>\$ 235,160</u>	<u>\$ 722,324</u>	<u>\$ 349,827</u>

The Company's remote access service business continues to see an increase in subscriber numbers and revenue. The Company believes much of this increase is a result of a response to the coronavirus pandemic whereby many companies have moved towards remote work, which contributed to an increase in revenue from the Company's remote access service over the past year. Revenue for the third quarter 2021 was \$211,831 (2020 - \$235,160) a decrease of \$23,329 and year to date 2021 revenue was \$722,324 (2020 - \$349,827) an increase of \$372,497. During the third quarter 2020 the majority of the revenue recognized was for server licenses, which are a one-time amount. For the third quarter 2021 the majority of revenue is the result of recurring subscription revenue. Over the past year the Company's Asia-Pacific business has seen growth from its remote access service with an increase in both subscriber numbers and recurring revenue.

Revenue from Asia-Pacific includes the ongoing subscription and maintenance fees from Hitachi Solutions Create. Revenue from Canada and the United States includes subscription fees received from our I'm InTouch service.

(b) Selling, general and administrative ("SG&A"):

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Selling, general and administration	\$ 207,909	\$ 111,153	\$ 570,400	\$ 415,724
less: stock-based compensation	(70,850)	(23,600)	(136,614)	(96,750)
	<u>\$ 137,059</u>	<u>\$ 87,553</u>	<u>\$ 433,786</u>	<u>\$ 318,974</u>

SG&A expenses, net of stock based compensation for the three months ended July 31, 2021 were \$137,059 (2020 - \$87,553) an increase of \$49,505 and year to date July 31, 2021 was \$433,786 (2020 - \$318,974) an increase of \$114,813. The increase in revenue has provided the Company the opportunity to spend more on sales and marketing activities with the goal to commercialize IronCAP X™ as well as continue its efforts to build partnerships with companies for the integration of the IronCAP™ API with third party applications. The Company expects to make significant investments in Company infrastructure over the next few years

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including marketing, sales and business development, R&D, finance and business processes. The Company expects these investments will support the growth of the business thereby enabling significant future levels of profitability. The Company also increased expenditures on its investor relations activities.

There were 940,000 (2020 – 1,310,000) stock options granted during the nine months ended July 31, 2021. The average grant date fair value of options granted during 2021 was \$0.33 (2020 - \$0.09). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the nine month period ended July 31, 2021: expected dividend yield of nil (2020 – nil), expected volatility of 166% (2020 – 164%), weighted average risk-free interest rate of 1.5% (2020 – 1.5%) and expected lives of four years (2020 – four years). During the nine month period ended July 31, 2021, the Company recorded stock option expense for stock options granted in the current and previous periods of \$136,614 (2020 - \$96,750).

(c) Research and development:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Research and development	\$ 209,766	\$ 120,717	\$ 485,871	\$ 323,215

Research and development for the three and nine months ended July 31, 2021 were \$209,766 (2020 - \$120,727) an increase of \$89,049 and \$485,871 (2020 - \$323,215) an increase of \$162,655. The Company continued to make an investment in the development of products based on its IronCAP™ technology and is planning to launch the business version of IronCAP X later this year. In addition, enhancements were made to the remote access service to support the Japanese market. DoMobile V4 with enhanced security measures was completed and launched on July 28, 2021.

(d) Withholding taxes:

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Withholding taxes	\$ 20,660	\$ 22,900	\$ 70,651	\$ 34,172

The Company is subject to withholding taxes on revenue generated from foreign countries. The increase is a result of the increase in revenue from Asia-Pacific.

7. Use of non-IFRS terms:

1. In the Company's financial reporting, reference is made to cash operating expenses, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. Cash operating expenses are operating expenses (SG&A and research and development) excluding the non-cash operating expenses of stock

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based compensation, depreciation of property and equipment. This measure is used to assist in monitoring cash expenses of the Company as it is an indication of the amount of expenses required to fund the Company's operations on a cash basis. Stock based compensation is a non cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. The table below summarizes cash operating expenses.

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Total operating expenses	\$ 417,674	\$ 231,870	\$ 1,056,271	\$ 738,939
Less - Stock based compensation	70,850	23,600	136,614	96,750
Depreciation of property and equipment	1,777	1,388	5,431	4,340
Cash operating expenses	<u>\$ 345,047</u>	<u>\$ 206,882</u>	<u>\$ 914,226</u>	<u>\$ 637,849</u>

Cash operating expenses for the three and nine months ended July 31, 2021 were \$345,047 (2020 - \$206,882) an increase of \$136,165 and \$914,226 (2020 - \$637,849) an increase of \$292,344 respectively, a result of an increase in the investment in developing and commercialization of the IronCAP™ technology.

- In the Company's financial reporting, reference is made to adjusted loss, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. The adjusted loss is the loss for the period and comprehensive loss excluding non-cash operating expenses, unusual items and is indicative of the loss for the period excluding non-cash operating expenses which are stock based compensation, and depreciation of property and equipment. This measure is used to assist in monitoring cash requirements of the Company as it is an indication of the amount of cash required to fund the Company's operations, on a cash basis. Stock based compensation is a non-cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. Unusual items such as the reversal of a prior year's accrual as reported in 2019 are considered to be non-recurring. The table below summarizes the adjusted loss.

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-21</u>	<u>31-Jul-20</u>	<u>31-Jul-21</u>	<u>31-Jul-20</u>
Profit (loss) for the period and comprehensive profit (loss)	\$ (228,762)	\$ (39,816)	\$ (406,278)	\$ (483,341)
Less: non cash operating expenses	72,627	24,988	142,045	101,090
Adjusted Loss for the period	<u>\$ (156,135)</u>	<u>\$ (14,828)</u>	<u>\$ (264,233)</u>	<u>\$ (382,251)</u>

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The loss and comprehensive loss for the three and nine months ended July 31, 2021 of \$228,762 (2020 – \$39,816) and \$406,278 (2020 - \$483,341) respectively includes as part of operating expenses non-cash expenses of \$72,627 (2020 - \$24,988) and \$142,045 (2020 - \$101,090) respectively. Excluding these non-cash operating expenses, which are included in operating expenses, the adjusted loss for the three and nine months ended July 31, 2021 becomes \$156,135 (2020 – \$14,828) an increase of \$141,307 and \$264,233 (2020 - \$382,251) a decrease of \$118,018 respectively. While the Company made a larger investment in the development and commercialization of its IronCAP™ technology and enhancements to its remote access service for Japan resulting in an increase in operating expenses the Company also more than doubled its revenue for the nine months ended July 31, 2021 to \$722,324 (2020 - \$349,827) which allowed the Company to reduce its adjusted loss for the nine month period ended July 31, 2021.

8. Operating expenses:

The Company presents a functional consolidated statement of operations and comprehensive income in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and research and development expenses. The following tables present the expenses based on their nature:

for the three months ended 31-Jul-21	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 89,266	\$ 178,003	\$ 267,269
Stock-based compensation	70,850	-	70,850
Other operating expenses	47,793	31,763	79,555
	<u>\$ 207,909</u>	<u>\$ 209,766</u>	<u>\$ 417,674</u>

for the three months ended 31-Jul-20			
Salaries, contractors, commissions and benefits	\$ 45,131	\$ 95,740	\$ 140,871
Stock-based compensation	23,600	-	23,600
Other operating expenses	42,422	24,977	67,399
	<u>\$ 111,153</u>	<u>\$ 120,717</u>	<u>\$ 231,870</u>

for the nine months ended 31-Jul-21			
Salaries, contractors, commissions and benefits	\$ 239,452	\$ 404,791	\$ 644,243
Stock-based compensation	136,614	-	136,614
Other operating expenses	194,334	81,080	275,414
	<u>\$ 570,400</u>	<u>\$ 485,871</u>	<u>\$ 1,056,271</u>

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for the nine months ended						
31-Jul-20						
Salaries, contractors, commissions and benefits	\$	147,052	\$	264,093	\$	411,145
Stock-based compensation		96,750		-		96,750
Other operating expenses		171,921		59,123		231,044
	\$	415,723	\$	323,216	\$	738,939

Operating expenses for the three and nine months ended July 31, 2021 were \$417,674 (2020 - \$231,870) an increase of \$185,804 and \$1,056,271 (2020 - \$738,939) an increase of \$317,332 respectively.

Salaries, contractors, commissions and benefits for the three and nine months ended July 31, 2021 were \$267,269 (2020 - \$140,871) an increase of \$126,398 and 644,243 (2020 - 411,145) an increase of \$233,098 respectively. The increase for both periods was the result of the increase in personnel related costs in SG&A and research and development as the Company increased its investment in development and commercializing its IronCAP™ technology as well as enhancing its remote access service for Japan.

Other operating expenses required to run the business for the three and nine months ended July 31, 2021 were \$79,555 (2020 - \$67,399) an increase of \$12,156 and 275,414 (2020 – \$231,044) an increase of \$44,370. The Company increased expenditures on its investor relations activities.

During the three and nine month periods ended July 31, 2021, the Company recorded stock option expense for stock options granted in the current and previous periods of \$70,850 (2020 - \$23,600) and \$136,614 (2020 - \$96,750) respectively. There were 940,000 (2020 – 1,310,000) stock options granted during the nine months ended July 31, 2021. The average grant date fair value of options granted during 2021 was \$0.33 (2020 - \$0.09). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the nine month period ended July 31, 2021: expected dividend yield of nil (2020 – nil), expected volatility of 166% (2020 – 164%), weighted average risk-free interest rate of 1.5% (2020 – 1.5%) and expected lives of four years (2020 – four years).

9. Liquidity and capital resources:

	As at:			Third quarter Increase	Year to date Increase
	31-Jul-21	30-Apr-21	31-Oct-20		
Cash and cash equivalents	\$ 1,161,785	\$ 914,057	\$ 962,337	\$ 247,728	\$ 199,448
Guaranteed investment certificate	-	-	60,000		(60,000)
Combined amounts	\$ 1,161,785	\$ 914,057	\$ 1,022,337	\$ 247,728	\$ 139,448

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Combined amounts were \$1,161,785 as at July 31, 2021 compared to \$914,057 as at April 30, 2021 an increase of \$247,728 for the third quarter, primarily a result of the following:

1. The Company funding its adjusted loss for the three months ended July 31, 2021 of \$156,135 which is a use of funds.
2. A decrease in non-cash working capital of \$96,870 a source of funds. The majority of this decrease is a result of a decrease in accounts receivable of \$72,311 with funds received for the previous quarter's revenue.
3. Financing activities included the exercise of stock options and warrants which contributed \$311,337 of cash.

On a year to date basis there was an increase in the combined amounts of \$139,448, primarily a result of the following:

1. The Company funding its adjusted loss for the nine months ended July 31, 2021 of \$264,233 which is a use of funds.
2. Financing activities included the exercise of stock options and warrants which contributed \$365,087 of cash.
3. The Company received a loan consisting of a \$60,000 CEBA loan that is interest free and repayable by December 31, 2022 with up to \$20,000 of the loan being forgiven conditional upon the Company repaying the full amount due of \$60,000 by maturity which is December 31, 2022.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control.

At July 31, 2021, the Company had other financial assets consisting of cash and cash equivalents, guaranteed investment certificate and accounts receivable of \$1,393,254 (October 31, 2020 - \$1,225,311) and other financial liabilities of \$228,184 (October 31, 2020 - \$151,111), consisting of accounts payable and accrued liabilities and a loan payable.

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows.

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10. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk:

Net monetary liabilities due in U.S. dollars include accounts payable of \$24,100 (October 31, 2020 – \$15,148), cash of \$607,900 (October 31, 2020 - \$179,571) and accounts receivable of \$165,200 (October 31, 2020 - \$126,001).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in U.S. dollars. Substantially all of the Company's sales are in U.S. dollars. As a result, the Company is subject to currency risk from sales made in U.S. dollars. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. and the Canadian dollar from the date of the sales transaction to the collection date due. As at July 31, 2021, the Company had net monetary assets in U.S. dollars of \$936,000 (October 31, 2020 - \$261,600). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at July 31, 2021 would have resulted in a gain in the amount of \$93,600 (October 31, 2020 - \$38,300) or a loss of \$93,600 (October 31, 2020 - \$38,300), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the nine month period ended July 31, 2021. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue and expenses incurred in U.S. dollars, at the actual exchange rate, to a hypothetical 10% movement in the foreign currency exchanges rates against the Canadian dollar, with all other variables held constant. Foreign currency exchanges rates used were based on the market rates in effect during the nine month period ended July 31, 2021. The sensitivity analysis indicated that a hypothetical 10% movement in the foreign currency exchange rate from the Canadian dollar to the U.S. dollar would result in a decrease to the net loss for the nine month period ended July 31, 2021. A decrease or increase in the U.S. to Canadian dollar exchange rate by 10% during the nine month period ended July 31, 2021 would have resulted in a reduction of the net loss of \$60,000 (2020 – \$30,000) or an increase in the net loss of \$60,000 (2020 – \$30,000) respectively. There can be no assurances that the above projected exchange rate change will materialize. Interest rate risk: The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits.

Interest rate risk:

The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits.

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11. Contingencies and commitments:

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

On October 7, 2020 the Company entered into a non-binding agreement for a drawdown equity facility with a private equity firm. The agreement provides for equity private placement offerings up to \$5,000,000 in units of the Company, with each unit consisting of one common share and one-half of one common share purchase warrant, to be conducted in drawdowns of up to \$250,000 per tranche over a period of 24 months with the timing of each tranche to be made by the Company at its sole discretion. The amount and terms of each tranche will be subject to the mutual agreement of the Company and the investor. As at July 31, 2021, no placements had been made.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's operations and ability to raise capital.

The Company's head office, located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5, is leased and considered to be a right-of-use asset. On March 1, 2021 the lease was amended with the expiry date extended to March 31, 2024 with no renewal term. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) during the three and nine month periods ended July 31, 2021 were \$12,105 (2020- \$11,844) and \$34,208 (2020 - \$34,914) respectively.

The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at March 1, 2021. The incremental borrowing rate applied was determined to be 5.0% per annum for the lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As a result, the Company recorded an increase in capital assets, right of use asset, of \$134,634 and an increase in lease liability of \$134,634.

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12. Related party transactions:

The remuneration of directors and other key management personnel of the Company during the three and nine month periods ended July 31, 2021 and 2020 were as follows:

	<i>For the 3 months ending</i>		<i>For the 9 months ending</i>	
	<u>31-July-21</u>	<u>31-July-20</u>	<u>31-July-21</u>	<u>31-July-20</u>
Salaries and contractor fees	\$ 55,000	\$ 55,000	\$ 165,000	\$ 166,250
Stock based compensation	36,743	23,600	46,945	96,750
	<u>\$ 91,743</u>	<u>\$ 78,600</u>	<u>\$ 211,945</u>	<u>\$ 263,000</u>

The Company's President and CEO invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during the three and nine month periods ended July 31, 2021 were \$16,500 (2020 - \$16,500) and \$49,500 (2020 - \$48,250) respectively, and have been included in research and development expenses and are disclosed in the salaries amounts in the above table. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The President and CEO's salary for the three and nine months ended July 31, 2021 was \$21,000 (2020 - 21,000) and \$63,000 (2020 - \$63,000) respectively.

13. Critical accounting estimates:

The preparation of consolidated financial statements prepared in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates. Management must also make estimates and judgements about future results of operations in assessing recoverability of assets and the value of liabilities. These judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the years in which the estimates are revised and in any future years affected.

Critical judgements and estimates used in the preparation of the consolidated financial statements include the following:

Going concern

The Company's ability to continue its ongoing and planned software development activities and to continue operations as a going concern is dependent on the Company achieving profitable operations and/or the ability to obtain external financing from time to time.

Income, value added, withholding and other taxes

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The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments and warrants

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Development costs qualifying for capitalization

In assessing whether development costs qualify for capitalization, management makes judgments and estimates related to expectations of technical feasibility in completing the project, the probability of future economic benefits, the availability of adequate technical and financial resources to complete the development, the ability to reliably measure the costs, and whether the Company intends to complete development, and to use or sell the assets.

In making these judgments and estimates, management has assessed various sources of information, including but not limited to, criteria for the capitalization of development costs, forecasted cash flows associated with the developments and with operations, in general, which are used to support whether or not the Company will have sufficient resources to complete the development of the assets. Changes in management's judgments, estimates and assumptions, could have a material effect in the future on the Company's financial position and results of operations.

Government assistance and investment tax credits

The Company has applied for and received funding from certain government grants and assistance programs. Remaining funding under these grant programs, if any, will be recognized when the Company qualifies and there is reasonable assurance that the grant will be received. Government assistance and investment tax credits received are subject to government audit and potential reassessment subsequent to the reporting

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period. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recognized in operations in the period in which such determination is made.

Discount rate used in adoption of IFRS 16

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's estimated incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

14. Risks and Uncertainties:

An investment in Common Shares is speculative and involves a high degree of risk, is subject to the following specific risks, among others, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Prospective investors should review these risks as well as other matters disclosed elsewhere in this Management Discussion and Analysis with their professional advisors.

Prospects for companies in the computer and software industry generally may be regarded as uncertain given the inherent nature of the industry and, accordingly, investments in such companies should be regarded as speculative.

(a) Lack of Revenue and Profitability

The Company has sustained substantial losses and negative cash flows from operations in recent years. The ability to generate future profitable operations and cash flows is dependent on the successful development of and commercialization of the Company's IronCAP™ technology and/or increased revenues from the Company's remote access products and services. There can be no guarantee that either the development of or commercialization of the Company's IronCAP™ technology will be successful or lead to significant revenues for the Company. In addition, there can be no guarantee that the Company's initiatives with its remote access products and services will lead to significant revenues for the Company.

(b) The future of Quantum Computers

A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption unsecure. Public key encryption is a cornerstone of cyber security today and Quantum Computers may have the ability to hack applications that are based on and using public key encryption. Quantum Computers are evolving and the timing as to when one will be available that renders public key encryption unsecure is unknown. The Company believes the

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introduction of such a Quantum Computer will be instrumental for successful commercialization of its IronCAP™ technology and until one is available successful commercialization could be delayed.

In addition, when such a Quantum Computer becomes available and while the Company believes and has designed its IronCAP™ technology to provide a safeguard against malicious attacks by such a Quantum Computer there can be no guarantee such will be the case.

(c) Listing of the Company's Common Shares

The stock exchange on which the Company's Common Shares currently trade and upon which they may trade in the future have certain minimum listing requirements that must be met in order to be eligible to continue to trade on such exchanges. If the Company is unable to continue to satisfy these criteria it may be delisted from these exchanges and will be required to find a different exchange on which to list. A change in the exchange on which the Common Shares are listed may result in a decreased share price and/or decreased liquidity. Furthermore, if the Company is not able to find a different exchange on which to list shareholders may not be able to transfer their shares. The trading symbol for the Company where the shares are traded in Canada on the TSX-V is ONE and where the shares are traded in the U.S. the symbol is OONEF and the shares are quoted on the OTCQB market.

(d) New Products and Technological Change

The communications software industry is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions, any of which could make the Company's products obsolete. There can be no assurance that the Company will be successful in enhancing existing products or introducing, manufacturing or marketing new products to meet changing end-user requirements and emerging industry standards and protocols. The Company must devote continued efforts and financial resources to develop and enhance existing products and conduct research to develop new products. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. The Company may not be able to identify, develop, manufacture, market or support new or enhanced products successfully or on a timely basis and may not be able to respond effectively to product announcements by competitors, technological changes or emerging industry standards which could, among other things, have a material adverse effect on the Company's business, operating results or financial condition. The Company may also announce new products or product enhancements, capabilities or technologies that have the potential to replace or shorten the life cycle of its existing product offerings and that may cause customers to defer purchasing its existing products.

(e) Market Acceptance of Products

The Company designs and develops software-based products for the cyber security and the remote access and support markets. As with any technology, there is a substantial risk that the marketplace may not accept the Company's products. Market acceptance of the Company's products depends, in large part, upon its ability to demonstrate its products' performance and cost-effectiveness over competing

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products and upon the success of its sales efforts as well as those of its customers. The Company may not be able to continue to market its products successfully and no assurance can be given that any of its current or future products will be accepted in the marketplace.

(f) Competition

Competition in the cyber security and the remote access and support markets is intense and growing rapidly. Accordingly, it is possible that new competitors or alliances among competitors and vendors may emerge and rapidly acquire market share. Many of the Company's current and potential competitors have significantly greater financial, technical, marketing, service, support and other resources than the Company, as well as longer operating histories, greater name recognition and larger customer bases. As a result, they may be able to secure resources on more favorable terms than the Company, and they may be able to respond more quickly to changes in customer preferences or to devote greater resources to the development, promotion and sale of their products than can the Company. Increased competition could result in significant price competition, reduced profit margins, fewer customer orders or loss of market share. The Company may not be able to compete successfully with existing or future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results or financial condition.

(g) No Assurance of Successful Marketing

The Company does not have extensive experience in successfully marketing its products. Thus, there can be no assurance that future efforts to market its products will be successful. If the Company relies on third parties to market its products, the commercial success of such products may be outside of the Company's control.

(h) Proprietary Technology

The Company's success will depend, in part, on its ability to maintain copyright and trademark protection, trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that the Company's intellectual property rights, copyright and/or trademarks will not be challenged by any third parties, or that the intellectual property rights of others will not have a material adverse effect on the ability of the Company to do business. Furthermore, there can be no assurance that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products. The Company may be required to obtain licenses for proprietary rights of third parties. No assurance can be given that any licenses required will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market or could find that the development, manufacture or sale of products requiring such licenses could be precluded. In addition, the Company could incur substantial time, effort and/or costs in policing unauthorized use of its intellectual property and/or in defending itself in suits brought against it or in suits in which the Company attempts to enforce its own intellectual property rights against other parties.

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(i) Currency Risk

A substantial portion of the Company's revenues are now, and are expected to continue to be, realized in United States dollars. Fluctuations in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's results of operations. In particular, the Company may be adversely affected by a strengthening of the Canadian dollar against the United States dollar if revenues in United States dollars exceed expenses incurred in United States dollars. The Company may also be adversely affected by a weakening of the Canadian dollar against the United States dollar if the expenses incurred exceed revenue incurred in United States dollars.

(j) Product Liability and Insurance

The sale and use of the Company's products or its products under development may entail risk of product liability. Although the Company considers that it currently has adequate insurance coverage for any product liability claim, as the Company expands and introduces new products there can be no assurance that it will be able to obtain appropriate levels of product liability insurance prior to any use of its products. An inability to obtain insurance on commercially reasonable terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company or expose the Company to significant product liability risks. The obligation to pay any product liability claim or a recall of a product could have a material adverse effect on the business, financial condition, operating results or prospects of the Company.

(k) Dependence on Key Personnel

The Company's ability to develop, manufacture and market its products and compete with current and future competitors depends, to a great extent, on its ability to attract and retain highly qualified personnel (and attract new personnel where required). Competition for such personnel and relationships is intense and the Company must compete in this regard with companies that have substantially greater financial and other resources than it does. The Company is highly dependent on the principal members of its management and research and development staff ("Key Personnel") and, in particular, Mr. Andrew Cheung, its Chief Executive Officer. The loss of Mr. Cheung's services could have the effect of materially impeding the achievement of development objectives. The persons working with the Company are affected by a number of influences outside of the control of the Company. The failure to attract and retain qualified personnel or the loss of the services of one or more Key Personnel could have a material adverse effect on the Company's business, operating results or financial condition.

(l) Public Market and Volatility of Share Price

Factors such as announcements of technological innovation or the introduction of new products by the Company or its competitors, actual or anticipated fluctuations in the Company's operating results, changes in estimates of the Company's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the Common Shares. In addition, the stock market has experienced volatility which has particularly affected the

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market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These market fluctuations may materially adversely affect the market price of the Common Shares.

(m) Distribution Agreements

The Company's distribution and licensing agreements contain various provisions for termination and/or renewal, some of which provide for termination without cause and on short notice. Such provisions are not uncommon in the industry and the Company anticipates that it will continue to enter into such agreements. Some of the Company's distribution arrangements are also not embodied in written agreements.

(n) The Trend towards Industry Consolidation

Consolidation in the software industry continues to occur, with competing companies merging or acquiring other companies in order to capture market share or expand product lines. As this consolidation occurs, the nature of the market may change as a result of fewer players dominating particular markets, potentially providing customers with fewer choices. Also, some of these companies offer a broader range of products than the Company, and the Company may not be able to compete effectively against these competitors. Any of these changes may have a significant adverse effect on the future revenues and operating results of the Company.

(o) Potential Fluctuations in Quarterly Financial Results

The Company's quarterly financial results could be impacted significantly by the timing of substantial orders and shipments as well as new releases of its products and intellectual property agreements. The Company's operating expenses are based on anticipated revenue levels in the short term, are relatively fixed and are incurred throughout the quarter. Additionally, the Company's products may be subject to long sales cycles. As a result, if expected revenues are not realized as anticipated, the Company's quarterly financial results could be materially adversely affected. Quarterly financial results in the future may be influenced by these or other factors, including possible delays in the shipment of new products and entering into or failing to enter into or renew a material contract or order. Accordingly, there may be significant variations in the Company's quarterly financial results and such results may not meet the expectations of analysts or investors. If this occurs, the price of the Common Shares may decline. See also "Distribution Agreements", "Volatility of Share Price".

(p) Control of Shares by Principal Shareholder

Andrew Cheung, the President and Chief Executive Officer of the Company and the principal shareholder of the Company, maintains effective control of the Company through control and/or ownership of, in the aggregate, approximately 12% of the outstanding Common Shares. As a result, Mr. Cheung could exercise significant influence over all matters requiring shareholder approval, including the ability to elect directors and approve fundamental changes to the Company. Such

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concentration of ownership may have the effect of delaying or preventing a change in control of the Company, its Board or management.

15. Disclosure controls and internal controls over financial reporting:

In the course of evaluating its internal controls over financial reporting as at April 30, 2021 management has identified the following material weakness:

There is limited segregation of duties which could result in a material misstatement in the Company's consolidated interim or annual financial statements. Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. This deficiency, which is pervasive in impact, did not result in a material misstatement to the consolidated financial statements. The Company relies on certain mitigating controls, including periodic substantive review of the consolidated financial statements by the Chief Executive Officer, Audit Committee and Board of Directors; however, these mitigating controls do not eliminate the existence of the material weakness.

As at July 31, 2021 the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures and internal control over financial reporting. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal control over financial reporting are ineffective as a result of the material weakness in internal control over financial reporting described above.

There have been no significant changes to the Company's internal control environment during the nine month period ended July 31, 2021 that would have materially affected the Company's internal controls over financial reporting.

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16. Disclosure of outstanding share data:

The Company's share capital consists of the following:

Authorized: 50,000 Series A preference shares

Unlimited preference shares, issuable in series

Unlimited common shares, Issued: 94,451,221 common shares

5,165,000 stock options outstanding convertible into common shares at exercise prices ranging from \$0.05 to \$0.42. The options expire between September 19, 2021 and June 9, 2025.

The following table summarizes the warrants that were outstanding as at July 31, 2021:

	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
Warrants issued on settlement of debenture (i)	0.35	100,000	1.40	0.35
Warrants issued on private placement (ii)	0.15	791,667	1.05	0.15
Compensation warrants issued on private placement (iii)	0.12	46,667	1.05	0.12
		938,334	0.42	\$ 0.15

- (i) Each warrant entitles the holder to acquire one common share for \$0.35 at any time prior to October 14, 2022.
- (ii) Each warrant entitles the holder to acquire one common share for \$0.15 at any time prior to May 29, 2022.
- (iii) Each warrant entitles the holder to acquire one common share for \$0.12 at any time prior to May 29, 2022.

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17. Quarterly results of operations:

The following tables sets forth certain information from the unaudited consolidated statements of operation for the eight most recent quarters of operations ended July 31, 2021 as prepared in accordance with IFRS.

<i>for the 3 months ending</i>	<i>31-Jul-21</i>	<i>30-Apr-21</i>	<i>31-Jan-21</i>	<i>31-Oct-20</i>
Revenue	\$ 211,831	\$ 297,231	\$ 213,262	\$ 171,964
Expenses:				
Selling, general and administrative	207,909	194,208	168,284	170,377
Research and development	209,766	138,876	137,229	131,962
Withholding taxes	20,660	29,207	20,784	16,633
	438,334	362,291	326,297	318,972
Loss before accretion on liability component of debenture, interest, other income and expense	(226,503)	\$ (65,060)	\$ (113,035)	\$ (147,008)
Accretion on liability portion of debenture	-	-	-	17,165
Loss before other income and expense	(65,060)	(65,060)	(113,035)	(176,891)
Interest income	2,166	839	576	2,155
Interest expense	1,579	561	275	(909)
Loss for the period and comprehensive loss	\$ (228,762)	\$ (64,782)	\$ (112,734)	\$ (173,827)

<i>for the 3 months ending</i>	<i>31-Jul-20</i>	<i>30-Apr-20</i>	<i>31-Jan-20</i>	<i>31-Oct-19</i>
Revenue	\$ 235,160	\$ 73,297	\$ 41,370	\$ 80,832
Expenses:				
Selling, general and administrative	111,153	162,918	141,652	158,532
Research and development	120,717	131,404	71,094	104,967
Withholding taxes	22,900	7,816	3,456	6,334
	254,770	302,138	216,202	269,833
Loss before accretion on liability component of debenture, interest, other income and expense	\$ (19,610)	(228,841)	(174,832)	(189,001)
Interest on debenture	15,000	15,000	15,000	15,000
Accretion on liability portion of debenture	4,535	4,762	4,535	4,320
Loss before other income and expense	(39,145)	(248,603)	(194,367)	(208,321)
Interest income (expense)	671	150	(25)	5,006
Reversal of accrued liability	-	-	-	441,809
Profit (loss) for the period and comprehensive profit (loss)	\$ (39,816)	\$ (249,132)	\$ (194,392)	\$ 238,494

01 COMMUNIQUE LABORATORY INC.

CORPORATE INFORMATION

DIRECTORS

Andrew Cheung
President & CEO

William A. Train
Chairman
Private investor

Gary Kissack
Lawyer, Fogler, Rubinoff LLP

Jane Yang
Director

OFFICERS

Andrew Cheung
President & CEO

Brian Stringer
Chief Financial Officer

Gigi Loo
Controller & Corporate Secretary

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In U.S. OTCQB: OONEF