



01 Communique Laboratory Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2022

ONE : TSX-V
OONEF : OTCQB

Dated: September 14, 2022

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(In Canadian dollars)

For the three and nine months ended July 31, 2022 and 2021

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, 2022.

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 14, 2022.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of September 14, 2022.

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 protected 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 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. 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") 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.

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- (2) IronCAP X, a new cybersecurity product for email/file encryption. This digital signature system is built by implementing the patented technology 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 hackers' incentive to attack email servers of email providers. Secondly, powered by our patent protected 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. Users of 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.

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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 been granted a patent in the U.S. and has two U.S. and one Japanese patent applications in process for its IronCAP™ technology:

- United States patent number 11,271,215 for a Cryptographic System and Method. Our invention relates 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. 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”.
- United States patent application No. 17,708,426 for quantum-safe steganography technology which allows covert hiding of sensitive data in any ordinary digital media such as photos and audio/video clips. The ancient application of steganography technology is to “watermark”. 01 has revolutionized this technology for the post-quantum era by utilizing the Company’s patent-protected IronCAP™ cryptographic technology. This revolutionary technology can be applied to a broad range of applications including NFTs, digital wallets, digital proof of ownership, etc. An example of practical application is to hide the private key of a digital wallet as a “quantum-safe backup” instead of the current method of generating 24 random words on paper.

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";

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- 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"

5. Year to Date 2022 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. Going forward the Company plans to continue with its business development efforts forming new partnerships and building on existing partnerships. Operational highlights for 2022 year to date are as follows:

1. In April 2022 the Company entered into an agreement with a consortium of highly successful crypto experts that selected the Company as their technology partner and Post-Quantum Cryptography (PQC) provider. The consortium (Talent Summit) is aggressively pursuing a new blockchain and commissioned the Company to develop the World's First Quantum-Safe Blockchain designed for Tokens, NFTs, Smart Contracts for the Metaverse, De-centralized Finance (DeFi). The technology developed for this project is independent of the type of Blockchain that is in use and as such it can be applied to not just the Solana Blockchain but to any Blockchain. The working Proof-of-Concept ("PoC") was recently completed in August and has been accepted by the consortium. The Company was compensated for the development project by way of a payment of \$250,000 cash plus a 10% royalty is to be received for the ongoing share of the "Tokens" per transaction. The final working demonstration of a Quantum-Safe Wallet is expected to be completed by the end of September of this year.
2. The Company has also taken a minority position in Talent Summit.
3. The Company continued with development work on a business edition of IronCAP X™, which is expected to be the world's first commercial-ready quantum-safe email security product. It is anticipated that it will be ready for commercial use by the end of October of this year.
4. Since February of this year has been working on the integration of IronCAP X™ into one of the Company's partners military-grade HSM. The project is now in its completion stage.

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5. Strengthened the board of directors with the addition of Mr. Tyson Macaulay CISA, LEL CIE, who brings with him over twenty-five years of engineering and management experience in network, cloud and IoT security solutions.
6. Retained Hybrid Financial Ltd. ("Hybrid") to provide investor relations services to the Company. Hybrid has been engaged to heighten market and brand awareness for the Company and to broaden the Company's reach within the investment community both in Canada and the United States. Hybrid Financial has offices in Toronto and Montreal.
7. Filed an international patent application for quantum-safe steganography technology which allows covert hiding of sensitive data in any ordinary digital media. This revolutionary technology can be applied to a broad range of applications including NFTs, digital wallets, digital proof of ownership, etc. The ancient application of steganography technology is to "watermark". Other applications include subliminal messages in media such as audio and video clips. What 01 has created is a quantum-safe steganography method to hide large amount of digital data in pictures, audio, or video clips utilizing the Company's patent-protected IronCAP™ cryptographic technology.

The information in the financial table below present selected financial information for the three and nine months ended July 31, 2022 and 2021. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars.

	<i>three months ended</i>		<i>nine months ended</i>	
	<u>31-Jul-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Revenue	\$ 236,002	\$ 211,831	\$ 782,627	\$ 722,324
Expenses:				
Selling, general and administrative	221,772	207,909	650,056	570,400
Research and development	194,132	209,766	559,893	485,871
Withholding taxes	10,400	20,660	51,523	70,651
	426,304	438,334	1,261,472	1,126,922
Loss before other income and expense	(190,302)	(226,503)	(478,845)	(404,598)
Interest income	1,125	180	1,770	751
Interest expense	1,065	1,595	3,687	2,431
Loss for the period and comprehensive loss	\$ (190,242)	\$ (228,762)	\$ (480,762)	\$ (406,278)

Revenue for the third quarter 2022 was \$236,002 (2021 - \$211,831) and year to date \$782,637 (2021 - \$722,324). The trend of working from home continues to be popular in Asia-Pacific which is contributing to the acceptance of the Company's remote access business in that market. The Company receives recurring royalties from its remote access business. Revenue was also

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recognized throughout 2022 for development work completed pertaining to the Quantum-Safe Blockchain project with Talent Summit.

The loss for the third quarter and comprehensive loss was \$190,242 (2021 - \$228,762) and year to date \$480,762 (2021 - \$406,278). The adjusted loss for the third quarter was \$135,374 (2021 - \$156,135) and year to date \$334,044 (2021 - \$264,233). The adjusted loss excludes stock-based compensation and depreciation which are non-cash expenses.

The Company completed the third quarter with \$858,550 of cash compared to \$849,375 at April 30, 2022 and \$994,924 as at October 31, 2021 an increase of \$9,175 and a decrease of \$136,374 respectively.

6. 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 (selling, general and administrative expenses plus research and development expenses) excluding the non-cash operating expenses of stock based compensation, depreciation and amortization. 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-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Total operating expenses	\$ 415,904	\$ 417,674	\$ 1,209,949	\$ 1,056,271
Less:				
Stock based compensation	53,782	70,850	141,607	136,614
Depreciation of property and equipment	1,086	1,777	5,111	5,431
Cash operating expenses	<u>\$ 361,036</u>	<u>\$ 345,047</u>	<u>\$ 1,063,231</u>	<u>\$ 914,226</u>

Cash operating expenses for third quarter 2022 were \$361,036 (2021 - \$345,047) an increase of \$15,989. The Company is continuing with its investment in the development and commercialization of its IronCAP™ technology.

2. 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

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and is indicative of the loss for the period excluding non-cash operating expenses which are stock based compensation, and depreciation and amortization. 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. The table below summarizes the adjusted loss.

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Loss for the period and comprehensive loss	\$ (190,242)	\$ (228,762)	\$ (480,762)	\$ (406,278)
Less: non cash operating expenses	<u>54,868</u>	<u>72,627</u>	<u>146,718</u>	<u>142,045</u>
Adjusted Loss for the period	<u>\$ (135,374)</u>	<u>\$ (156,135)</u>	<u>\$ (334,044)</u>	<u>\$ (264,233)</u>

The net loss and comprehensive loss for the third quarter 2022 of \$190,242 (2021 – \$228,762) includes as part of operating expenses non-cash expenses of \$54,868 (2021 - \$72,627). Excluding these non-cash operating expenses, which are included in operating expenses the adjusted loss for third quarter 2022 becomes \$135,374 (2021 – \$156,135) a decrease of \$20,761. The adjusted loss is a result of the Company's investment in the development and commercialization of its IronCAP™ technology.

7. Results of Operations:

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>	
	<u>31-Jul-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
United States	\$ 2,277	\$ 3,814	\$ 7,488	\$ 8,826
Canada	1,725	1,415	9,488	6,989
Asia/Pacific	<u>232,000</u>	<u>206,602</u>	<u>765,651</u>	<u>706,509</u>
	<u>\$ 236,002</u>	<u>\$ 211,831</u>	<u>\$ 782,627</u>	<u>\$ 722,324</u>

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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-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Royalty and development fees	\$ 232,000	\$ 206,602	\$ 765,651	\$ 706,509
Subscription fees	4,002	5,229	16,976	15,815
	<u>\$ 236,002</u>	<u>\$ 211,831</u>	<u>\$ 782,627</u>	<u>\$ 722,324</u>

Revenue for the third quarter 2022 was \$236,002 (2021 - \$211,831) an increase of \$24,171.

The trend of working from home continues to be popular in Asia-Pacific which is contributing to the acceptance of the Company's remote access business in that market. The Company receives recurring royalties from the Company's Asia-Pacific remote access business whereby DoMobile, a secure remote access solution, is exclusively marketed by the Company's partner in Japan. The strong security underlying DoMobile allows for marketing not only to small to medium sized businesses, but also to government agencies, financial industries, health sectors, etc. which require a highly secure remote access environment. There are more than 3,800 corporations using DoMobile as their telework solution with the numbers continuing to grow.

In addition, development fees were recognized for the completed portion of the Quantum-Safe Blockchain project with Talent Summit. A PoC (proof-of-concept) was completed in August of this year with everything to date going according to schedule.

Revenue from Canada and the United States includes subscription fees received from the Company's I'm InTouch service.

Gross profit

The vast majority of the Company's products sold are software based, which typically have a high gross margin. The gross margin for fiscal 2022 and 2021 was 100%.

Selling, general and administration ("SG&A")

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Selling, general and administration	\$ 221,772	\$ 207,909	\$ 650,056	\$ 570,400
less: stock-based compensation	53,782	70,850	141,607	136,614
	<u>\$ 167,990</u>	<u>\$ 137,059</u>	<u>\$ 508,449</u>	<u>\$ 433,786</u>

SG&A expenses, net of stock based compensation for the third quarter 2022 were \$167,990 (2021 - \$137,059) an increase of \$30,931 primarily a result of an increase in sales and marketing

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expenses as the Company continues to invest in commercialization of its IronCAP™ technology as well as an increase in investor relations as it retained Hybrid Financial Ltd. to provide investor relations services to the Company.

During the three and nine month period ended July 31, 2022, the Company recorded stock option expense for stock options granted in the current and previous periods of \$53,782 (2021 - \$70,850) and \$141,607 (2021 - \$136,614) respectively. The average grant date fair value of options granted during 2022 was \$0.25 (2021 - \$0.34). 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, 2022: expected dividend yield of nil (2021 – nil), expected volatility of 165% (2021 – 166%), weighted average risk-free interest rate of 2.0% (2021 – 1.5%) and expected lives of four years (2021 – four years).

Research and development

	<i>For the three months ended</i>		<i>For the nine months ended</i>	
	<u>31-Jul-22</u>	<u>31-Jul-21</u>	<u>31-Jul-22</u>	<u>31-Jul-21</u>
Research and development	\$ 194,132	\$ 209,766	\$ 559,893	\$ 485,871

Research and development expenses for the third quarter 2022 were \$194,132 (2021 - \$209,766) a decrease of \$15,633. Research and development expenses relates to the Company's product development efforts as the Company continues with its investment in the development of its IronCAP™ technology plus the development expenses for enhancements to DoMobile for the Japanese market and development expenses pertaining to the Quantum-Safe Blockchain project.

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.

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The following tables present the expenses based on their nature:

for the three months ended 31-Jul-22	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 70,966	\$ 160,763	\$ 231,729
Stock-based compensation	53,782	-	53,782
Other operating expenses	97,024	33,369	130,393
	<u>\$ 221,772</u>	<u>\$ 194,132</u>	<u>\$ 415,904</u>

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 nine months ended 31-Jul-22	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 242,692	\$ 472,061	\$ 714,753
Stock-based compensation	141,607	-	141,607
Other operating expenses	265,757	87,832	353,589
	<u>\$ 650,056</u>	<u>\$ 559,893</u>	<u>\$ 1,209,949</u>

for the nine months ended 31-Jul-21	Selling, general and administration	Research and development	Total
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>

Operating expenses based on their nature for the three and nine months ended July 31, 2022 were \$415,904 (2021 - \$417,674) and \$1,209,949 (2021 - \$1,056,271) respectively a decrease of \$1,770 and an increase of \$153,678 respectively.

Salaries, contractors, commissions and benefits the three and nine months ended July 31, 2022 were \$231,729 (2021 - \$267,269) and \$714,753 (2021 - \$644,243) respectively a decrease of \$35,540 and an increase of \$70,510 respectively. The increase on a year to date basis is the result of the increase in personnel related costs in SG&A and research and development as the Company continues with its investment in development and commercializing its IronCAP™ technology.

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Other operating expenses required to run the business for the three and nine months ended July 31, 2022 were \$130,393 (2021 - \$79,555) and \$353,589 (2021 - \$275,414) respectively an increase of \$50,838 and \$78,175 respectively. The increases are primarily a result of an increase in sales and marketing expenses as the Company continues to invest in commercialization of its IronCAP™ technology as well as an increase in investor relations as the Company retained Hybrid Financial Ltd. to provide investor relations services to the Company.

During the three and nine month period ended July 31, 2022, the Company recorded stock option expense for stock options granted in the current and previous periods of \$53,782 (2021 - \$70,850) and \$141,607 (2021 - \$136,614) respectively. The average grant date fair value of options granted during 2022 was \$0.25 (2021 - \$0.34). 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, 2022: expected dividend yield of nil (2021 – nil), expected volatility of 165% (2021 – 166%), weighted average risk-free interest rate of 2.0% (2021 – 1.5%) and expected lives of four years (2021 – four years).

9. Liquidity and Capital Resources:

	<u>31-July-22</u>	<u>30-Apr-22</u>	<u>31-Oct-21</u>
Cash	\$ 858,550	\$ 849,375	\$ 994,924

Cash was \$858,550 as at July 31, 2022, an increase of \$9,175 from April 30, 2022 primarily a result of the following:

1. The Company funding its adjusted loss for three months ended July 31, 2022 of \$135,374 which is a use of funds.
2. A decrease in non-cash working capital of \$43,660 which is a source of funds and
3. Exercise of stock options for \$14,000 and warrants for \$86,850 which is a source of funds.

Cash was \$858,550 as at July 31, 2022, a decrease of \$136,374 from October 31, 2021 primarily a result of the following:

1. The Company funding its adjusted loss for nine months ended July 31, 2022 of \$334,044 which is a use of funds.
2. A decrease in non-cash working capital of \$143,102 a source of funds and
3. Exercise of stock options for \$14,000 and warrants for \$86,850 which is a source of funds and
4. Investment in Talent Summit of \$31,500 which is a use of funds.

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.

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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, 2022, the Company had financial assets consisting of cash and accounts receivable of \$987,009 (October 31, 2021 - \$1,200,431) and financial liabilities of \$287,588 (October 31, 2021 - \$222,354), consisting of accounts payable and accrued liabilities and the Canadian emergency business account loan payable.

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

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 assets and liabilities due in U.S. dollars include accounts payable of \$11,216 (October 31, 2021 - \$23,030), cash of \$389,200 (October 31, 2021 - \$568,902) and accounts receivable of \$80,600 (October 31, 2021 - \$127,478).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and Asia/Pacific. Sales to Asian/Pacific 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, 2022, the Company had net monetary assets in U.S. dollars of \$458,584 (October 31, 2021 - \$673,351). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at July 31, 2022 would have resulted in a gain in the amount of \$45,858 (October 31, 2021 - \$83,500) or a loss of \$45,858 (October 31, 2021 - \$83,500), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the nine month period ended July 31, 2022. 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, 2022. 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

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nine month period ended July 31, 2022. A decrease or increase in the U.S. to Canadian dollar exchange rate by 10% during the nine month period ended July 31, 2022 would have resulted in a reduction of the net loss of \$49,000 (2021 – \$60,000) or an increase in the net loss of \$49,000 (2021 – \$60,000) 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.

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, 2022, 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. To date the Company has been able to adapt its operations thereby minimizing the impact from the pandemic.

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, 2022 were \$11,279 (2021- \$11,338) and \$32,866 (2021 - \$33,451) 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

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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. The carrying value included as part of property and equipment as at July 31, 2022 is \$74,620. The lease liability has been broken down between current and non-current amounts. The current lease liability as at July 31, 2022 is \$46,489 and the non-current lease liability is \$31,098.

12. Adoption of New Accounting Policies:

Recent accounting pronouncements effective January 1, 2021 and beyond:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after November 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

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13. 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, 2022 and 2021 were as follows:

	<i>For the 3 months ending</i>		<i>For the 9 months ending</i>	
	<i>31-July-22</i>	<i>30-July-21</i>	<i>31-July-22</i>	<i>31-July-21</i>
Salaries and contractor fees	\$ 73,000	\$ 55,000	\$ 199,000	\$ 165,000
Stock based compensation	51,813	37,037	138,654	47,239
	<u>\$ 124,813</u>	<u>\$ 92,037</u>	<u>\$ 337,654</u>	<u>\$ 212,239</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, 2022 were \$28,500 (2021 - \$16,500) and \$65,500 (2021 - \$49,500) 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, 2022 was \$21,000 (2021 - 21,000) and \$63,000 (2021 - \$42,000) respectively.

Salary and contractor fees included in the above table owing to directors and other key management personnel and so included in accounts payable and accrued liabilities at July 31, 2022 is \$11,800 (2021 - \$7,300). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the periods.

14. 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.

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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

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.

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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.

Compound financial instruments

The classification of the Company's debentures required management to analyze the terms and conditions of the debentures and use judgment to assess whether these debentures are liability, equity, or a combination of the two. IAS 32 provides the criteria for management to assess these complicated financial instruments to determine their appropriate classification(s). Factors considered are, but not limited to, whether the Company has a future obligation to settle the instrument in cash or exchange other assets or liabilities, the currency of settlement and if the settlement is already known to be equity, the amount will not vary based on the Company's future share price. Estimating the liability and equity components of the debentures requires determining and making assumptions about the inherent value of the liability components including the discount rate appropriate for similar debt instruments, absent any warrants.

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 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.

Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables.

Discount rate used on leases

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

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assumptions used may have a significant effect on the Company's consolidated financial statements.

15. 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. Refer to *Section 3. Corporate Overview* for the prospects 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 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.

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(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 cyber security and remote access 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 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.

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(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

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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 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

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

16. Disclosure Controls and Internal Controls over Financial Reporting:

In the course of evaluating its internal controls over financial reporting as at July 31, 2022, 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, 2022 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 months ended July 31, 2022 that would have materially affected the Company's internal controls over financial reporting.

17. Subsequent Event.

Subsequent to the end of the quarter, on September 7, 2022, a non-brokered financing was completed comprising of 562,500 units (the "Units") at a price of \$0.20 per Unit for gross proceeds of \$112,500.

Each Unit is comprised of one common share in the capital of the Company (each, a "Share") and one-half of one Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to purchase one additional Share in the capital of the Company (each, a "Warrant Share") for a period of 24 months from the closing date at an exercise price of \$0.35 per Warrant Share.

The proceeds from the issuance will be used for working capital purposes.

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18. Disclosure of Outstanding Share Data as at September 14, 2022:

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

(1) Issued:

95,802,054 common shares

(2) As at June 15, 2022 there were 5,515,000 stock options outstanding convertible into common shares at exercise prices ranging from \$0.05 to \$0.42. The options expire between October 4, 2022 and June 15, 2026.

(3) The following table summarizes the warrants that were outstanding as at September 14, 2022.

	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
Warrants issued on settlement of debenture (note 1)	\$ 0.35	100,000	0.70	\$ 0.35
Warrants issued pursuant to non-brokered private placement September 7, 2022 (note 2)	\$ 0.35	281,250	2	\$ 0.35

Note 1. Each Warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.35 per share until October 14, 2022.

Note 2. Each Warrant entitles the holder to purchase one additional Share in the capital of the Company (each, a "Warrant Share") an exercise price of \$0.35 per Warrant Share until September 7, 2024.

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19. 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, 2022 as prepared in accordance with IFRS.

<i>for the 3 months ending</i>	31-Jul-22	30-Apr-22	31-Jan-22	31-Oct-21
Revenue	\$ 236,002	\$ 357,594	\$ 189,031	\$ 163,021
Expenses:				
Selling, general and administrative	221,772	226,782	201,502	270,628
Research and development	194,132	190,212	175,549	128,348
Withholding taxes	10,400	22,734	18,389	15,807
	426,304	439,728	395,440	414,783
Loss before interest, other income and expense	\$ (190,302)	\$ (82,134)	\$ (206,409)	\$ (251,762)
Foreign exchange gain (loss)	-	-	-	(17,554)
Interest income	1,125	459	186	215
Interest expense	(1,065)	(1,204)	(1,418)	(1,468)
Government assistance	-	-	-	20,000
Loss for the period and comprehensive loss	\$ (190,242)	\$ (82,879)	\$ (207,641)	\$ (250,569)

<i>for the 3 months ending</i>	31-Jul-21	30-Apr-21	31-Jan-21	31-Oct-20
Revenue	\$ 211,831	\$ 297,231	\$ 213,262	\$ 171,964
Expenses:				
Selling, general and administrative	207,909	194,208	168,284	171,052
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	319,647
Loss before accretion on liability component of debenture, interest, other income and expense	\$ (226,503)	\$ (65,060)	\$ (113,035)	\$ (147,683)
Interest on debenture	-	-	-	(12,718)
Accretion on liability portion of debenture	-	-	-	(17,165)
Foreign exchange gain (loss)	-	-	-	675
Interest income	180	(5)	576	2,155
Interest expense	(1,595)	(561)	(275)	909
Loss for the period and comprehensive loss	\$ (227,918)	\$ (65,626)	\$ (112,734)	\$ (173,827)

01 COMMUNIQUE LABORATORY INC.

CORPORATE INFORMATION

DIRECTORS

Andrew Cheung
President & CEO

William A. Train
Chairman
Private investor

Gary Kissack
Lawyer, Fogler, Rubinoff LLP

Tyson Macaulay
Director

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Andrew Cheung
President & CEO

Brian Stringer
Chief Financial Officer

Gigi Loo
Controller & Corporate Secretary

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In U.S. OTCQB: OONEF