



01 Communique Laboratory Inc.

Management's Discussion and Analysis

For the year ended October 31, 2021

ONE : TSX-V

Dated: January 12, 2022

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Management Discussion and Analysis
(In Canadian dollars)

Years ended October 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 audited consolidated financial statements and notes to the audited consolidated financial statements as at and for the year ended October 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 January 12, 2022.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of January 12, 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

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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.

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-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.

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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 received a notice of patent allowance in the U.S. for one of its patent applications and has one U.S. and one Japanese patent applications in process for its IronCAP™ technology:

- On November 9, 2021 the Company received a Notice of Allowance from the United States Patent and Trademark Office (“USPTO”) stating that its patent application (application no. 16/268,098) for a Cryptographic System and Method has been examined, prosecution is now closed and it is allowed for issuance as a patent. 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. 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";

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- 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. Fiscal 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. Going forward the Company plans to continue with its business development efforts forming new partnerships and building on existing partnerships.

Revenue for the year ended October 31, 2021 was \$885,345 (2020 - \$521,791) an increase of \$363,554. As the trend towards working from home continues to be popular the Asia-Pacific business has seen growth from the Company's remote access service with an increase in both subscriber numbers and recurring revenue.

The increase in revenue allowed for an increase in investment in the Company's sales and marketing as well as product development initiatives which we believe will position the Company for future growth.

1. The Company released DoMobile v4, a secure remote access solution that 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.
2. The Company has entered into partnership agreements, all previously announced, with six more companies to bring IronCAP™ to their enterprise customers. IronCAP™ is now available through its ever expanding partnerships not only in North America but also throughout Asia/Pacific as well as Europe and Western Africa.
3. The Company released a new version of the IronCAP™ API making it available for mobile platforms. This latest version allows mass adaptation of IronCAP™ across virtually all computing environments including Windows, Linux, Mac, plus the newly added iOS and Android mobile platforms.

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4. On November 9, 2021 the Company received a Notice of Allowance from the United States Patent and Trademark Office (“USPTO”) stating that the Company’s patent application (application no. 16/268,098) for a Cryptographic System and Method has been examined, prosecution is now closed and it is allowed for issuance as a patent.
5. The Company successfully conducted a second annual global based Bounty Contest challenge. There were 807 cybersecurity challengers that attempted 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 again proven its resilience and robustness.
6. The Company was awarded the Editor’s Choice as Top Remote Access Company 2021 by Enterprise Security Magazine. I’m InTouch, the Company’s “Zero Trust” solution, out ranked all industry competitors.

New product development initiatives are underway which the Company believes positions the Company with a strong technology development plan and go to market strategy.

1. The Company continued with development of a business version of IronCAP X™, which we believe will be the world’s first quantum-safe email security product effectively preventing email phishing/fraud. As the launch date gets closer an update will be provided.
2. The Company plans to incorporate IronCAP™ into our existing remote access product making what we believe will be the world’s first quantum-safe remote access solution.

The loss for fiscal 2021 was \$656,847 which is consistent with the 2020 loss of \$657,168. The adjusted loss for fiscal 2021 was \$446,832 (2020 - \$538,938) a decrease of \$92,106. The adjusted loss excludes stock-based compensation and depreciation which are non-cash operating expenses. The Company completed the year with \$994,924 of cash (2020 - \$1,022,337 of cash and GIC) a decrease of \$27,413.

1. General and administrative expense (“SG&A”) for fiscal 2021 were 841,028 (2020 - \$586,776) an increase of \$254,252. Excluding stock based compensation, a non-cash expense, SG&A expenses were 638,228 (2020 - \$474,386) an increase of \$163,842. The increase was primarily a result of the increased investment in sales and marketing activities designed to build global partnerships and increase awareness of the Company’s products.
2. Research and development expenses for fiscal 2021 were \$614,219 (2020 - \$455,177) an increase of \$159,042. The increase was a result of the development of DoMobile V4 as well as the continued development of IronCAP™.

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6. Overview of Results of Operations:

The information in the financial table below present selected financial information for the three years ended October 31, 2021, 2020 and 2019. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars.

	<u>31-Oct-21</u>	<u>31-Oct-20</u>	<u>31-Oct-19</u>
Revenue	\$ 885,345	\$ 521,791	\$ 283,107
Expenses:			
Selling, general and administrative	841,028	586,776	562,200
Research and development	614,219	455,177	384,007
Withholding tax	86,458	50,805	24,635
	<u>1,541,705</u>	<u>1,092,758</u>	<u>970,842</u>
Loss before accretion on liability component of debenture, interest, other income, and expense	(656,360)	(570,967)	(687,735)
Interest on debenture	-	(57,718)	(60,000)
Accretion on liability portion of debenture	-	(30,997)	(17,731)
Foreign exchange gain (loss)	(17,554)	675	-
Interest income	966	3,030	9,900
Interest expense	(3,899)	(1,191)	-
Government assistance	20,000	-	-
Reversal of accrued liability	-	-	441,809
Net loss and comprehensive loss	<u>\$ (656,847)</u>	<u>\$ (657,168)</u>	<u>\$ (313,757)</u>

The net loss and comprehensive loss for fiscal 2021 was \$656,847 which is consistent with the loss of \$657,168 in fiscal 2020 and an increase of \$343,090 compared to fiscal 2018. The major reasons for the variance in the loss for fiscal years 2019 through 2021 are as follows:

- (a) Revenue has steadily increased from 2019 through 2021. 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.
- (b) Expenses have increased from 2019 through 2021, a result of the investment the Company has made over the past three years as we developed and prepared for commercialization of our IronCAP™ technology. Withholding tax represent taxes withheld on payments received from foreign customers. The increase in withholding tax from 2019 through 2021 is a result of the increase in revenue from Japan.

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- (c) Reversal of accrued liability in the amount of \$441,809 in fiscal 2019. Up until April 2018, the Company was involved as the plaintiff in various patent litigations. Under the terms of the engagement with the lawyers acting on behalf of the Company in these matters, the Company made use of a contingency fee arrangement for the legal fees. Under this arrangement, the Company was required to pay for certain out of pocket expenses. In prior years, the Company recognized an estimated obligation for these out of pocket expenses of \$441,809. The Company was unsuccessful in the patent litigation and is no longer proceeding on these matters. As a result, the Company has amended its original estimate and determined that the accrual is no longer required. The change in estimate has been reflected in fiscal year 2019 consolidated statement of operations.

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 (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 year ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Total operating expenses	\$ 1,455,247	\$ 1,041,953
Less - Stock based compensation	202,801	112,390
Depreciation of property and equipment	7,214	5,840
Cash operating expenses	<u>\$ 1,245,232</u>	<u>\$ 923,723</u>

Cash operating expenses for fiscal 2021 were \$1,245,232 (2020 - \$923,723) an increase of \$321,509 a result of our investment in the development of and getting ready for commercialization of our IronCAP™ technology.

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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 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 year ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Net loss for the year and comprehensive loss	\$ (656,847)	\$ (657,168)
Less: non cash operating expenses	210,015	118,230
Adjusted Loss for the year	<u>\$ (446,832)</u>	<u>\$ (538,938)</u>

The net loss and comprehensive loss for fiscal 2021 of \$656,847 (2020 – \$657,168) includes as part of operating expenses non-cash expenses of \$210,015 (2020 - \$118,230). Excluding these non-cash operating expenses, which are included in operating expenses the adjusted loss for 2021 becomes \$446,832 (2020 – \$538,938) a decrease of \$92,106. While the Company made a larger investment in the development and commercialization of its IronCAP™ technology during fiscal 2021 with an increase in operating expenses there was also an increase in revenue from its remote access service which allowed the Company to reduce its adjusted loss for the year.

8. Results of Operations:

Revenue

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

	<i>For the year ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
United States	\$ 11,185	\$ 14,860
Canada	9,577	9,881
Asia/Pacific	864,583	497,050
	<u>\$ 885,345</u>	<u>\$ 521,791</u>

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

	<i>For the year ended</i>	
	<i>31-Oct-21</i>	<i>31-Oct-20</i>
Royalty and development fees	\$ 864,583	\$ 497,050
Subscription fees	20,762	24,741
	<u>\$ 885,345</u>	<u>\$ 521,791</u>

Revenue for fiscal 2021 was \$885,345 (2020 - \$521,791) an increase of \$363,554 primarily a result of an increase from royalty and development fees in Japan. Revenue from Japan 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.

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 2021 and 2020 was 100%.

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

	<i>For the year ended</i>	
	<i>31-Oct-21</i>	<i>31-Oct-20</i>
Selling, general and administration	\$ 841,028	\$ 586,776
less: stock-based compensation	202,801	112,390
	<u>\$ 638,227</u>	<u>\$ 474,386</u>

SG&A expenses, net of stock based compensation for fiscal 2021 were \$638,227 (2020 - \$474,386) an increase of \$163,841 primarily a result of an increase in sales and marketing expenses as well as general administrative expenses required to be spent as we continue to invest in commercialization of our IronCAP™ technology.

Stock option expense for the year ended October 31, 2021 was \$202,801 (2020 - \$112,390). There were 940,000 stock options granted in 2021 (2020 – 700,000). The average grant date fair value of options granted during 2021 was \$0.36 (2020 - \$0.15). 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 year ended October 31, 2021: expected dividend yield of nil (2020 - nil), expected volatility of between 160% and 165% (2020 – between 166% and 176%), weighted average risk-free interest rate of 1.5% (2020 – 1.5%) and expected lives of four years (2020 – four years).

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Research and development

	<i>For the year ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Research and development	\$ 614,219	\$ 455,177

Research and development expenses for 2021 were \$614,219 (2020 - \$455,177) an increase of \$159,042. The increase in research and development expenses relates to the Company's product development efforts as we continued with our investment in the development of our IronCAP™ technology plus the development expenses for completion of DoMobile V4.

9. 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 year ended 31-Oct-21

	Selling, general and administration		Research and development		Total
Salaries, contractors, commissions and benefits	\$	343,009	\$	541,046	\$ 884,055
Stock-based compensation		202,801		-	202,801
Other operating expenses		295,218		73,173	368,391
	\$	841,028	\$	614,219	\$ 1,455,247

For the year ended 31-Oct-20

	Selling, general and administration		Research and development		Total
Salaries, contractors, commissions and benefits	\$	235,649	\$	361,943	\$ 597,592
Stock-based compensation		112,390		-	112,390
Other operating expenses		238,737		93,234	331,971
	\$	586,776	\$	455,177	\$ 1,041,953

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Operating expenses for 2021 were \$1,455,247 (2020 - \$1,041,953) an increase of \$413,294. Salaries, contractors, commissions and benefits in 2021 were \$884,055 (2020 - \$597,592) an increase of \$286,463 which was the result of the increase in personnel related costs in SG&A and research and development as the Company continued with its investment in development and commercializing its IronCAP™ technology.

Other operating expenses required to run the business for 2021 were \$368,391 (2020 - \$331,971) which is an increase of \$36,420.

Stock option expense for the year ended October 31, 2021 was \$202,801 (2020 - \$112,390). There were 940,000 stock options granted in 2021 (2020 – 700,000). The average grant date fair value of options granted during 2021 was \$0.36 (2020 - \$0.15). 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 year ended October 31, 2021: expected dividend yield of nil (2020 - nil), expected volatility of between 160% and 165% (2020 – between 166% and 176%), weighted average risk-free interest rate of 1.5% (2020 – 1.5%) and expected lives of four years (2020 – four years).

10. Liquidity and Capital Resources:

	As at:	
	31-Oct-21	31-Oct-20
Cash	\$ 994,924	\$ 962,337
Guaranteed investment certificate	-	60,000
Combined amounts	<u>\$ 994,924</u>	<u>\$ 1,022,337</u>

Combined amounts were \$994,924 as at October 31, 2021 (2020 - \$1,022,337) a decrease of \$27,413 primarily a result of the following:

1. The Company funding its adjusted loss for 2021 of \$446,832 which is a use of funds.
2. A decrease in non-cash working capital of \$21,133 a source of funds.
3. Financing activities, which included the exercise of stock options and warrants, providing \$365,088 which is a source of funds.
4. Net proceeds received from the Canada Emergency Business Account (“CEBA”) of \$40,000.

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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 October 31, 2021, the Company had financial assets, consisting of cash, guaranteed investment certificate and accounts receivable of \$1,200,431 (2020 - \$1,225,311) and financial liabilities, consisting of accounts payable and accrued liabilities and the Canadian emergency business account loan of \$222,354 (2020 - \$151,111).

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

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11. Fourth Quarter 2021 Results:

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

	<i>three months ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Revenue	\$ 163,021	\$ 171,964
Expenses:		
Selling, general and administrative	270,628	171,052
Research and development	128,348	131,962
Withholding taxes	15,807	16,633
	<u>414,783</u>	<u>319,647</u>
Loss before accretion on liability component of debenture, interest, and other income	(251,762)	(147,683)
Interest on debenture	-	(12,718)
Accretion on liability portion of debenture	-	(17,165)
Foreign exchange loss (gain)	(17,554)	675
Interest income	215	2,155
Interest expense	(1,468)	909
Government assistance	20,000	-
Net loss for the period and comprehensive loss	<u>\$ (250,569)</u>	<u>\$ (173,827)</u>
Loss per common share		
Basic	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares		
Basic	94,451,221	86,125,334
Diluted	94,451,221	86,125,334

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Revenue for the fourth quarter of 2021 was \$163,021 (2020 - \$171,964) a decrease of \$8,943 primarily a result of a decrease from royalty fees in Japan. As at October 31, 2021 there were more than 3,800 corporations using DoMobile as their telework solution with the numbers continuing to grow.

The net loss and comprehensive loss for the fourth quarter of 2021 was \$250,569 (2020 - \$173,827) an increase of \$76,742.

Operating expenses for the fourth quarter of 2021, excluding withholding tax, were \$398,976 (2020 - \$303,014) an increase of \$95,962. The Company continued to make an investment in the development of products based on its IronCAP™ technology as well as support for its remote access products and hence the increase in research and development costs. In addition, SG&A costs increased as the Company increased costs on sales and marketing activities to commercialize IronCAP X™ as well as continuing in efforts to build partnerships with companies for the integration of the IronCAP™ API with third party applications.

(a) Cash Operating Expenses:

The cash operating expenses for the three month periods ended October 31, 2021 and 2020 is shown in the table below:

	<i>For the three months ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Total operating expenses	\$ 398,976	\$ 303,014
Less - Stock based compensation	66,187	15,640
Depreciation of property and equipment	1,783	1,500
Cash operating expenses	<u>\$ 331,006</u>	<u>\$ 285,874</u>

The cash operating expenses, which exclude stock based compensation and depreciation and amortization which are not cash expenses, for the fourth quarter of 2021 were \$331,006 (2020 - \$285,874) an increase of \$45,132.

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Adjusted Loss:

The adjusted loss for the three month periods ended October 31, 2021 and 2020 is shown in the table below:

	<i>For the three months ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Loss for the period and comprehensive loss	\$ (250,569)	\$ (173,827)
Less: non cash operating expenses	67,970	17,140
Adjusted loss for the period	<u>\$ (182,599)</u>	<u>\$ (156,687)</u>

The adjusted loss for the fourth quarter of 2021 was \$182,599 (2020 - \$156,687) an increase of \$25,912.

(b) Revenue:

Revenue attributable to geographical location based on the customer for the three month periods ended October 31, 2021 and 2020 is shown in the table below:

	<i>For the three months ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
United States	\$ 2,359	\$ 2,969
Canada	2,588	2,674
Asia/Pacific	158,074	166,321
	<u>\$ 163,021</u>	<u>\$ 171,964</u>

The significant categories of revenue recognized during the three month periods ended October 31, 2021 and 2020 are as follows:

	<i>For the three months ended</i>	
	<u>31-Oct-21</u>	<u>31-Oct-20</u>
Royalty and development fees	\$ 158,074	\$ 166,321
Subscription fees	4,947	5,643
	<u>\$ 163,021</u>	<u>\$ 171,964</u>

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.

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(c) Operating Expenses:

The following table presents the operating expenses for the quarter according to the function to which they relate:

for the three months ended 31-Oct-21	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 103,557	\$ 136,255	\$ 239,812
Stock-based compensation	66,187	-	66,187
Other operating expenses	100,884	(7,907)	92,977
	<u>\$ 270,628</u>	<u>\$ 128,348</u>	<u>\$ 398,976</u>

for the three months ended 31-Oct-20			
Salaries, contractors, commissions and benefits	\$ 56,847	\$ 97,850	\$ 54,697
Stock-based compensation	15,640	-	15,640
Other operating expenses	98,565	34,112	132,677
	<u>\$ 171,052</u>	<u>\$ 131,962</u>	<u>\$ 303,014</u>

Operating expenses for fourth quarter 2021 were \$398,976 (2020 - \$303,014) an increase of \$95,962.

Salaries, contractors, commissions and benefits for the fourth quarter of 2021 were \$239,812 (2020 - \$154,697) an increase of \$85,115. There was an increase in personnel related costs both in research and development as the Company continued with its investment in development of its IronCAP™ technology and related products as well as support for its remote access products and in sales and marketing as the Company continued to work with existing partners as well as explore new partnerships in efforts to commercialize IronCAP™.

Other operating expenses required to run the business for the fourth quarter of 2021 were \$92,977 (2020 - \$132,677) a decrease of \$39,700. There were costs incurred during fourth quarter 2020 relating to the initial listing of the Company's shares on the OTCQB market in the U.S.A.

Stock based compensation for fourth quarter 2021 was \$66,187 (2020 - \$15,640) an increase of \$50,547. The increase in expense relates to stock options granted in fiscal 2021 and amortized over their vesting period during 2021.

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(d) Cash:

As at October 31, 2021 the Company had cash of \$994,924 compared to \$1,161,785 as at July 31, 2021 a \$166,861 decrease, which is due primarily to:

1. The Company funding its adjusted loss for fourth quarter 2021 of \$182,599 which is a use of funds.
2. Recognizing government assistance income previously received consisting of \$20,000 which is a use of funds.
3. A decrease in non-cash working capital of \$34,460 which is a source of funds.

12. Debenture:

On January 24, 2020, the Company agreed with the holders of the Debentures in the Company at the time to redeem all of the Debentures outstanding without any prepayment penalty and issue new secured Debentures ("New Debentures") under the same terms and conditions of the previously amended Debentures, other than the maturity date was extended to April 24, 2021.

In connection with the issuance of the New Debentures the Company cancelled the original 800,000 common share purchase warrants issued and issued an aggregate of 800,000 new common share purchase warrants. Each such warrant is exercisable at any time prior to April 24, 2021 into one common share in the capital of the Company at an exercise price of \$0.13 per share.

The Company agreed to redeem the New Debentures with the holders of the New Debentures prior to the maturity date of April 24, 2021 redeeming \$200,000 principal amount of the New Debentures on October 5, 2020 ("Settlement 1") and the remaining \$200,000 on October 14, 2020 ("Settlement 2").

Pursuant to Settlement 1, based on the quoted market price of the shares at the time of settlement, the Company issued 416,667 common shares of the Company at a price of \$0.24 per common share for a total of \$100,000 and paid \$100,000 in cash plus accrued interest.

Pursuant to Settlement 2, based on the quoted market price of the shares at the time of settlement, the Company issued 350,000 common shares of the Company at a price of \$0.21 per common share for a total of \$74,000, 100,000 common share purchase warrants at a deemed price of \$0.26 per warrant for a total of \$26,000 with each warrant entitling the holder to acquire one common share in the capital of the Company at an exercise price of \$0.35 per share until October 14, 2022, and paid \$100,000 in cash plus accrued interest.

Accretion charges on the liability component of the debentures of the Company for the year ended October 31, 2020 were \$30,997 and were calculated using the discount rate of 20% and have been recorded in the statement of operations.

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The following details the changes in the debenture for the year ended October 31, 2020:

Balance, October 31, 2019	\$ 390,703
Accretion charges	30,997
Equity portion of new debentures	(21,700)
Settlement, cash paid	(200,000)
Settlement, common shares and warrants	(200,000)
Balance, October 31, 2020	\$ -

13. 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 \$23,030 (2020 – \$15,148), cash of \$568,902 (2020 - \$179,571) and accounts receivable of \$127,478 (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 both sales made and expenses incurred 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 either the date of the sales transaction to the collection date due or from the date an expense is incurred in the U.S. to the date the payment is made. As at October 31, 2021, the Company had net monetary assets in U.S. dollars of \$673,351 (2020 –\$261,600). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at October 31, 2021 would have resulted in a gain in the amount of \$83,500 (2020 - \$38,300) or a loss of \$83,500 (2020 - \$38,300), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the year ended October 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 year ended October 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 change to the net loss for the year ended October 31, 2021.

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An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% during the year ended October 31, 2021 would have resulted in a gain in the amount of \$75,700 (2020 - \$41,600) or a loss of \$75,700 (2020 - \$41,600), 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 and the liability component of the debenture.

14. 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 October 31, 2021 and 2020, 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.

15. Adoption of New Accounting Policies:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to

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influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

During the year ended October 31, 2021, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

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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16. Related Party Transactions:

The remuneration of directors and other key management personnel of the Company during the years ended October 31, 2021 and 2020 was as follows:

	2021	2020
Salaries and contractor fees	\$ 235,000	\$ 227,500
Stock-based compensation	107,498	110,594
Total	\$ 342,498	\$ 338,094

The Company's President and Chief Executive Officer ("CEO") invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during 2021 were \$66,000 (2020 - \$66,000) and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the CEO received a salary for 2021 of \$84,000 (2020 - \$84,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

The CEO participated in the private placement that closed on May 29, 2020 subscribing for a total of 500,000 units of the offering at the same price and under the terms as other participants. The total amount paid by the CEO for the units was \$60,000.

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 October 31, 2021 is \$12,300 (2020 - \$12,300). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the year.

17. 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:

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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.

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

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

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18. 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 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 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

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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

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which the Company attempts to enforce its own intellectual property rights against other parties.

(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.

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(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 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

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

19. Disclosure Controls and Internal Controls over Financial Reporting:

In the course of evaluating its internal controls over financial reporting as at October 31, 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 October 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 year ended October 31, 2021 that would have materially affected the Company's internal controls over financial reporting.

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20. Disclosure of Outstanding Share Data as at January 12, 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

Issued:

94,451,221 common shares

4,915,000 stock options outstanding convertible into common shares at exercise prices ranging from \$0.05 to \$0.42. The options expire between July 3, 2022 and June 9, 2025.

The following table summarizes the warrants that were outstanding as at October 31, 2021.

	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	0.95	0.35
Warrants issued on private placement (note 2)	0.15	791,667	0.58	0.15
Compensation warrants issued on private placement (note 3)	0.12	46,667	0.58	0.12
		938,334	0.62	\$ 0.15

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 acquire one common share of the Company at an exercise price of \$0.15 per share until May 29, 2022.

Note 3. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.12 per share until May 29, 2022.

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21. 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 October 31, 2021 as prepared in accordance with IFRS.

<i>for the 3 months ending</i>	31-Oct-21	31-Jul-21	30-Apr-21	31-Jan-21
Revenue	\$ 163,021	\$ 211,831	\$ 297,231	\$ 213,262
Expenses:				
Selling, general and administrative	270,627	207,909	194,208	168,284
Research and development	128,348	209,766	138,876	137,229
Withholding taxes	15,807	20,660	29,207	20,784
	<u>414,782</u>	<u>438,334</u>	<u>362,291</u>	<u>326,297</u>
Loss before accretion on liability component of debenture, interest, other income and expense	\$ (251,761)	\$ (226,503)	\$ (65,060)	\$ (113,035)
Foreign exchange gain (loss)	(17,554)	-	-	-
Interest income	215	180	(5)	576
Interest expense	(1,468)	(1,595)	(561)	(275)
Government assistance	20,000	-	-	-
Net loss for the period and comprehensive loss	\$ (250,569)	\$ (227,918)	\$ (65,626)	\$ (112,734)

<i>for the 3 months ending</i>	31-Oct-20	31-Jul-20	30-Apr-20	31-Jan-20
Revenue	\$ 171,964	\$ 235,160	\$ 73,297	\$ 41,370
Expenses:				
Selling, general and administrative	171,052	111,153	162,918	141,653
Research and development	131,962	120,717	131,404	71,094
Withholding taxes	16,633	22,900	7,816	3,456
	<u>319,647</u>	<u>254,770</u>	<u>302,138</u>	<u>216,203</u>
Loss before accretion on liability component of debenture, interest, other income and expense	\$ (147,683)	\$ (19,610)	\$ (228,841)	\$ (174,833)
Interest on debenture	(12,718)	(15,000)	(15,000)	(15,000)
Accretion on liability portion of debenture	(17,165)	(4,535)	(4,762)	(4,535)
Foreign exchange gain (loss)	675	-	-	-
Interest income	2,155	-	150	725
Interest expense	909	(671)	(679)	(750)
Net loss for the period and comprehensive loss	\$ (173,827)	\$ (39,816)	\$ (249,132)	\$ (194,393)

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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