

DEEPMARKIT CORP.
FORM 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS

Date

This management's discussion and analysis ("MD&A") dated April 29, 2020 is in respect of the year ended December 31, 2019 for DeepMarkit Corp. ("DeepMarkit", the "Company" or the "Corporation"). This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018 (the "Financial Statements"). The financial information presented herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All financial data is expressed in Canadian dollars unless otherwise noted.

Forward-Looking Statements

This MD&A may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Corporation's current beliefs and is based on information currently available to the Corporation and on assumptions the Corporation believes are reasonable. These assumptions include, but are not limited to, future costs and expenses being based on historical costs and expenses, adjusted for inflation, and the ability of the Corporation to obtain necessary financing. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Corporation and its business and products; unfavourable capital market circumstances and uncertainty; general business, economic, competitive, political and social uncertainties; competition; changes in product scope as plans continue to be refined; other risks inherent in the technology industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation affecting the Corporation and its business; timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Operations Overview

During fiscal 2018 and fiscal 2019, DeepMarkit focused entirely on the development and operation of its digital marketing and promotions software platform. The free production version of the Company's promotions platform was released during the third quarter of 2017 and a paid version of the product was released during the third quarter of fiscal 2018. Throughout fiscal 2019, the Company focused on marketing the product and seeking new business opportunities. The Company's present focus is on developing new business opportunities for its product and in new related areas, primarily in the Asian markets.

Corporation Profile

The Corporation completed its initial public offering as a CPC and began trading on the TSXV effective June 20, 2008. On November 26, 2009, the Corporation completed its Qualifying Transaction and began trading under the symbol “CDE” as a tier 2 mining issuer on the TSXV on December 15, 2009.

From 2009 through fiscal 2015 the business of the Corporation was mining exploration, specifically the coal mining industry. The Corporation disposed of all its coal mining related assets and ceased all related operations during 2014 following which it focused on a transition to the technology industry and the digital marketing and promotions platform development which is described below.

The Corporation’s change of business was approved by the shareholders and accepted by the Exchange at the end of October, 2015 and the Corporation became a technology issuer as categorized by the TSXV. The Corporation began trading under the symbol “MKT” on November 2, 2015.

Overview of the Business

The Corporation’s business is the development and operation of a digital marketing/promotions platform for retailers and other businesses. The platform is called the DeepMarket Platform.

The DeepMarket Platform offers a range of promotion products and services providing an additional marketing and advertising opportunity to consumer-facing businesses. The promotion products and services offered by DeepMarket focus on providing game driven experiences, supporting various promotion models including sweepstakes, giveaways, and contests. The Corporation offers both instant-win and post-completion win models for promotion campaigns.

The Corporation is attempting to generate revenue through a monthly subscription service however results to date have proven that the platform cannot generate revenue sufficient to support the Corporation’s operations. As a result, the Corporation is researching and developing tools to facilitate cross-border e-commerce activities between North American markets and Asian consumers. Information relating to the business of the Corporation as set out below relates to its digital promotions platform. Information regarding new business opportunities under investigation will be provided once such opportunities have been confirmed and committed to.

Product Development

The Corporation launched a free production version of its marketing-game promotions platform in Q3 of 2017 to gain market acceptance and launched a paid version in Q3 of 2018.

Development of the DeepMarket Platform is organized into two major components composed of administration capabilities and promotion elements.

Administration capabilities encompass all functionality required by users to perform tasks specific to their role. The Corporation's customers are empowered to administrate elements specific to the customer's business, promotions, and to some extent, the customer's consumers. Other administrative capabilities are specific to internal use required by the Corporation. These capabilities enable the administration of the Corporation's customers.

Promotion elements mostly include technology that is not directly visible to the Corporation, the Corporation's customers, or the consumer. These elements contain the promotion logic, business rules relating to each promotion and technical interfaces. A small but critical subset of the promotion components will be exposed to consumers and the Corporation's customers.

No new development on the existing product suite is being conducted however the Corporation is researching and designing new tools and technologies for e-commerce in anticipation of potential opportunities to expand operations in the Asian markets.

Operations

The Corporation's products and services are delivered to customers and consumers digitally, using the Internet as a distribution method across multiple channels. Products and services are developed using industry-standard software development practices by employees of the Corporation.

The Corporation leverages a range of technologies to deliver an engaging and seamless promotions experience to businesses and consumers. These technologies include but are not limited to HTML5, supporting the client-side experience and Java for server-side processing.

Market

The Corporation's promotions application is designed to promote brand awareness, drive lead generation through data acquisition, reward loyalty and generate sales for businesses with physical and/or online presence.

Our product is available for any type or size of business which communicates or promotes its products or services to potential customers using an online channel such as direct email, social media or website promotions. Accordingly, our product will be useable by businesses which sell online only and those who sell offline or through a combination of online and offline methods, assuming they have some form of online presence.

The Corporation's primary focus is on the North American market, targeting businesses that purchase digital and traditional advertising targeting consumers. International markets will be pursued as relationships are established and as financial resources permit. The Corporation's promotions application will help businesses increase and diversify their current marketing activities and will enable businesses to expand traditional non-digital advertising campaigns (e.g. print-media) to digital media across multiple channels.

Marketing Plans and Strategies

Various advertising opportunities are being leveraged to market the Corporation's promotion products and services, including paid ad placements, direct sales, press releases, and trade shows.

These marketing initiatives will be continued as capital resources are available.

The Corporation's customer acquisition plan is based on three primary methods: Traditional online advertising and direct customer acquisition, integrations to e-commerce systems, and strategic relationships.

We have limited sales and accordingly have no history with our pricing models necessary to accurately predict optimal pricing required to attract new customers. As a result, in the future we may be required to change our pricing models or reduce our prices, which would adversely affect our potential revenue, profitability, financial position and cash flows.

Competitive Conditions

The Corporation has identified several competitors offering similar solutions and two broader competitor categories being: i) digital marketing service providers offering promotion tools to businesses, and ii) advertising agencies and individuals developing custom promotion assets for businesses.

A number of existing digital marketing service providers offer promotion solutions centered primarily on campaigns targeting social media platforms as well as the traditional web-based channels. The Corporation differentiates its products from these competitors on the basis of its expanded customization options and more sophisticated game options. While the Corporation will also support promotions using social media, the Corporation's products and services will not be limited to social media or rely on social media platforms to deliver value. Our product is designed to provide greater flexibility to business owners in the design and operation of their digital promotions.

In comparison with marketing agencies and individuals, the Corporation will offer a flexible and customizable, channel agnostic solution at a significantly lower price point.

A potentially significant source of competition is product expansion by existing digital marketing service providers. New competitors may emerge, which has also been identified as a potentially significant source of competition.

Our market is transforming, competitive and highly fragmented, and we expect competition to increase in the future. We believe the principal competitive factors in our market are: vision for entertainment as a component of effective promotions; simplicity and ease of use of our platform; integration of multiple sales channels; cost-effectiveness of promotional campaigns; breadth and depth of functionality; pace of game and feature innovation; ability to scale; security and reliability. With respect to each of these factors, we believe that we compare favorably to our competitors.

Future Developments

The Corporation has created a substantial catalogue outlining future enhancements and new features however any further development will depend upon additional significant financial resources which cannot be assured.

New business opportunities, including cross-border e-commerce in the North American/Asian marketplaces, are being investigated and developed.

Proprietary Protections

Our intellectual property rights are important to us. During the product development phase we utilize a combination of confidentiality clauses with our employees and third-party partners, invention assignment agreements with our employees and trade secrets. We are investigating additional protections through copyright, trademarks and patents issued or registered where available. We have recently received a receipt for our first international patent application relating to our DeepMarkit promotions and marketing platform. To date, no patents have been issued or granted.

Stated Business Objectives

The Corporation's business objective is to provide businesses that sell products to consumers or offer services to consumers, a sophisticated promotion solution, increasing brand awareness and ultimately sales. To accomplish this objective our promotions application will facilitate promotional activities such as prize giveaways, instant win prizes and sweepstakes using games-based interactive online communication with customers. Our objective is to deliver to our customers a solution which:

1. Is engaging and entertaining for consumers.
2. Is fast and easy to use by our customers.
3. Is versatile in its ability to deliver enhancements to product purchasing behaviour and brand reinforcement.

Summary of Quarterly Financial Results

	Dec. 31, 2019	Sep. 30, 2019	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	June 30, 2018	Mar. 31, 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,763	1,672	2,014	2,063	2,546	-	-	-
Interest income	833	305	908	762	1,713	2,573	3,847	1,686
Operating expenses *	146,244	124,041	133,385	140,739	290,792	310,031	330,407	334,369
Finance costs	64,957	62,446	60,434	58,422	62,446	60,434	60,434	61,049
Loss and comprehensive loss	(115,099)	(185,691)	(181,583)	(202,418)	(338,764)	(395,401)	(623,755)	(553,712)
Comprehensive loss per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.06)	(\$0.05)
Working capital	(2,004,228)	(2,318,530)	(135,135)	54,698	249,479	596,719	962,800	1,348,458

* Operating expenses includes costs related to wages, G&A, Professional and listing fees and amortization.

The decrease in working capital is due to quarterly operating cost and the debenture coming due in July 2020.

Results of Operations

For the year ended December 31, 2019, the Corporation incurred operating expenses (including wages, general and administrative expenses, business investigation costs, professional fees, listing and filing fees, office rent)

of \$539,441 (\$1,258,155 in fiscal 2018). The decrease of \$718,711 or 57.1% is primarily due to reduced cost of employees and consultants.

The breakdown of general and administrative expense is as follows:

G&A Expense	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018	% change
Investor relations	4,600	4,322	6%
Consulting fees	57,731	133,631	-57%
Travel	23,316	5,878	297%
Rent	76,800	88,800	-14%
Trade Shows	0	10,109	-100%
Advertising and promotions	32,431	91,806	-65%
Other Canadian G&A	48,862	70,515	-31%
Total	243,740	405,061	-40%

The Company has decreased its G&A expense in fiscal 2019. The decrease in expense is due to the Corporation's efforts to conserve capital.

Fourth Quarter Results

Q4 2019 revenue was flat when compared to Q3 2019 or Q4 2018. Prior to Q4 2019, the Company was working to launch its platform in Asia with a strategic partner. Operating expenses incurred in Q4 2019 was in the amount of \$146,244 (Q3 2019 - \$124,041). The increase of \$22,203 or 17.9% is primarily due to the accrual for the 2019 audit fees.

Capital Expenditures

The Corporation expended the following amounts on purchasing equipment during the below referenced periods.

	Twelve Months Ended		
	December 31, 2019	December 31, 2018	% change
Office equipment	\$ 0	\$ 0	0%

Liquidity

As at December 31, 2019, the Corporation had working deficit of \$2,004,228 (December 31, 2018 - \$249,479) and cash balances of \$241,953 (December 31, 2018 - \$392,790).

The Corporation's accounts payable and accrued liabilities of \$347,351 are all current. Included in the accounts payable is \$306,612 due to related parties (see "Related Party Transactions, Balances and Key Management Compensation")

Management believes that although the Corporation has sufficient cash and cash equivalents to meet its immediate current obligations, additional financing will be required during the first quarter of 2020 in order to continue business operations. Management cannot confirm that additional financing may be obtained or if financing is available, that it will be on favorable terms and if financing is not secured the Corporation will be unable to continue its business.

Financings

2019 transactions

- (a) On June 22, 2019 the Corporation entered into a strategic investment agreement with HK Datang Investment Holding Group Co. Limited ("HK Datang"), an arm's length, private Hong Kong investment company (the "Investment Agreement"). Under the terms of the Investment Agreement, HK Datang, subject to certain conditions, including a 10:1 consolidation of DeepMarkit's outstanding common shares, was to purchase 29,527,120 post-consolidation common shares at a price of \$0.075 per share (post-consolidation) for total subscription proceeds of \$2,214,535 (the "Transaction"). Following completion of the Transaction, HK Datang would own approximately 72% of the outstanding post-consolidation common shares and accordingly, would become a control person of DeepMarkit. As a condition to completing the Transaction, concurrent with closing of the Transaction, the Company will be required to enter into an agreement with the holders of DeepMarkit's outstanding 12% participating debentures due July 14, 2020 ("Debentures") to (i) repay \$1,000,000 owing under the Debentures directly following closing of the Transaction; (ii) eliminate all Participation Interest, (iii) reduce basic interest to 10%, (iv) defer all interest payments to the maturity date, and (v) provide for conversion, at the option of DeepMarkit, into common shares at a conversion price of \$0.33 per share, provided that for the 20 days prior to the maturity date, DeepMarkit's common shares have traded on the TSX Venture Exchange at or above the price of \$0.33 per common share.
- (b) On August 1, 2019, the shareholders of the Company at an Annual General and Special Meeting, approved:
- a share consolidation on a one for ten basis consolidating the 114,827,733 outstanding common shares to 11,482,773 common shares; and
 - the issuance of 29,527,120 common shares to HK Datang at a price of \$0.075 per share for a total purchase price of \$2,214,534.
- (c) On August 21, 2019, HK Datang and the Company entered into an agreement to amend the terms of the Investment Agreement to provide for a private placement of Units consisting of common shares and common share purchase warrants (the "Units"). Under the terms of the amended Investment Agreement, and subject to TSXV approval, HK Datang will purchase 17,333,333 Units at a price of \$.075 (CAD) per Unit for a total purchase price of \$1,300,000 (CAD). Each Unit will consist of one common share and 0.7034 of a warrant to purchase a common share at an exercise price of \$0.10 (CAD) per share. The warrants will have a one-year term. The amending agreement provides for HK Datang to deliver to the Company a non-refundable \$100,000 (CAD) deposit in respect of the private placement. All other terms of the original Investment Agreement remain unchanged.
- (d) On October 3, 2019 the consolidation of the common shares was completed.
- (e) The Company and HK Datang subsequently agreed to simplify the investment arrangement to allow the parties to complete a private placement transaction for the total amount of 10,000,000 Units (as defined below) for total gross proceeds of \$750,000, to be provided in two tranches (the "Private Placement").
- (f) On October 4, 2019, the Company closed the first tranche of the Private Placement of 6,263,194 Units of the Company to HK Datang for gross proceeds of \$469,740. Each Unit consists of one (1) common share of the Company (each, a "Common Share") and one (1) of a warrant to purchase a common share at an exercise price of \$0.10 per Common Share (the "Units"). The warrants are exercisable for one year following the date of issuance. The second tranche of the Private Placement, representing 3,736,806 Units has not been completed. HK Datang has granted a voting proxy over all of its common shares to a nominee of the holders of the Corporation's outstanding Debentures. The proxy is to remain in effect until the Corporation has repaid at least one-half of the amount owing under all of the Debentures.

2018 transactions

On March 2, 2018, the Company closed a non-brokered private placement consisting of 3,000,000 units (each a "Unit") of the Company, at a subscription price of \$0.50 per Unit for gross proceeds of \$1,500,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$1 for a period of one year from the date of issuance of the units (see "Financings").

All shares issued pursuant to the private placements, and any shares issued in connection with the exercise of Warrants, if any, were subject to a four-month hold period which expired four months from the date of issue.

Options2019 and 2018 transactions

During the second quarter of 2019, 100,000 options expired and 50,000 options were forfeited.

During the first quarter of 2019, 117,917 options expired.

During the first quarter of 2018, the Company granted 25,000 options to an employee at an exercise price \$0.80 per share. The options have a term of 5 years.

During the first quarter of 2018, 5,000 options were exercised at an exercise price of \$0.08 per share.

During the first quarter of 2018, 40,000 options expired and 50,000 options were forfeited.

During the second quarter of 2018, the Company granted 410,000 options to the directors and certain employees of the Company at an exercise price \$0.70 per share. The options have a term of 5 years. Of the total options granted, 338,750 vested immediately, the remaining 71,250 options vested in equal 25% increments over a period of one year.

During the fourth quarter of 2018, 25,000 options expired and 27,083 options were forfeited.

Subsequent to year end, all stock options were canceled.

Acquisitions/Dispositions

There were no acquisitions or dispositions during the year ended December 31, 2019.

Non-accountable Arrangements

There are no arrangements as at December 31, 2019, which are not disclosed in the Financial Statements, nor have any such arrangements been entered into by the Corporation as of the date of this report.

Related Party Transactions, Balances and Key Management Compensation

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions are disclosed below:

In 2019, total compensation paid to directors, officers and key management of the Company was comprised of \$133,000 (2018 - \$330,031) in fees plus options having a fair value of \$Nil (2018 - \$210,065).

During the year ended December 31, 2019, payroll compensation to the officers of the Company totaled \$52,000 (2018 - \$195,500). This compensation was included in wages and benefits on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$89,167 (December 31, 2018 - \$89,714) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2019 the Company incurred \$51,000 (2018 - \$104,531) in management consulting fees to officers of the Company. These fees were included in general and administrative expenses on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$39,000 (December 31, 2018 - \$39,000) is included in accounts payable and accrued liabilities with respect to these charges.

During the year ended December 31, 2019, the Company incurred \$30,000 (2018 - \$30,000) in accounting fees to a company in which a former officer of the Company is the principal shareholder. These fees were included in professional fees on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$Nil (December 31, 2018 - \$2,625) is included in accounts payable and accrued liabilities with respect to these fees.

During the year ended December 31, 2019, the Company paid rental fees of \$76,800 (2018 - \$88,800) to two companies in which a director and officer of the Company is the principal or a significant shareholder. These fees were included in general and administrative expenses on the consolidated statement of loss and comprehensive loss. As at December 31, 2019, \$Nil (December 31, 2018 - \$Nil) is included in accounts payable and accrued liabilities with respect to these fees.

At December 31, 2019, \$1,900,000 (December 31, 2018 - \$1,900,000) in debentures payable were owing to a director and officer and his family members. During the year, the Company incurred \$233,946 (2018 - \$232,145) for interest in respect of the debenture financing which is included in finance costs on the consolidated statement of loss and comprehensive loss. See Note 7 - of the Audited Financial Statements for the Year Ended December 31, 2019, for detailed information regarding the debentures.

Disclosure of Outstanding Share Data

The following table describes the outstanding equity securities and convertible securities issued by the Corporation:

	Authorized	Outstanding as at April 29, 2020 ⁽¹⁾	Outstanding as at December 31, 2019 ⁽¹⁾	Outstanding as at December 31, 2018 ⁽²⁾
Voting or equity securities issued and outstanding	Unlimited Common Shares	17,745,967 Common Shares	17,745,967 Common Shares	14,482,773 Common Shares
Securities convertible or exercisable into voting or equity securities – stock options	Stock options to acquire up to 10% of outstanding Common Shares	All stock options were canceled March 2020	610,000 Stock options granted exercisable at prices between \$0.70 and \$2.00 per option	877,917 Stock options granted exercisable at prices between \$0.70 and \$2 per option
Voting or equity securities issuable on conversion or exchange of outstanding securities - warrants	6,263,194	6,263,194	6,263,194 Warrants to acquire Common Shares exercisable at \$0.10 per Warrant	2,600,000 Warrants to acquire Common Shares exercisable at \$1 per Warrant

(1) – These numbers are post-consolidation (see “Financings – 2019 transactions section (b)”))

(2) – These numbers are pre-consolidation

Critical Accounting Estimates and Accounting Policies

The Corporation’s critical accounting estimates and significant accounting policies are disclosed in notes 3 and

4 of the audited consolidated financial statements for the year ended December 31, 2019.

Changes in Accounting Policies

The Corporation adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 - "Leases"

IFRS 16 was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board (FASB). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

There are no other new and mandatory IFRS standards, amendments or interpretations that have been issued and will be effective for accounting periods on or after January 1, 2020 that are expected to be relevant to the Company.

Financial Instruments

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides descriptions and measurement of the significant risks as at December 31, 2019:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents are exposed to credit risk, however the risk is deemed minimal as the counterparty is considered to be a low risk financial institution. Accounts receivable consists of the amount due from Canada Revenue Agency in relation to input tax credits arising as a result of the Goods and Services Tax (GST).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's cash and cash equivalents are exposed to interest rate risk as the Corporation invests cash and cash equivalents at floating rates of interest in highly liquid instruments. Fluctuations in interest rates impact the value of cash and cash equivalents. For the years ended December 31, 2019 and 2018, if interest rates had been 1% higher or lower, total interest income received would have been higher or lower by approximately \$3,200 and \$4,800, respectively, on an annualized basis. Pursuant to the terms of the participating debentures, the Company is required to pay additional interest equal to 12% of the revenue generated on qualifying product sales, see Note 7. - Debentures payable of the Audited Financial Statements for the Year Ended December 31, 2019.

Currency Risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation minimizes its currency risk by maintaining the majority of its liquid assets in stable currencies, including Canadian and US currencies. The Corporation holds US dollars, a 10% change in the exchange rate between the Canadian dollar and the US Dollar would result in the Corporation incurring a gain or loss of approximately \$700 (2018 - \$600).

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation's accounts payable and accrued liabilities are all current and due within 90 days of the financial statement date. The Corporation ensures that it has sufficient capital to meet short term financial obligations after taking into account cash and cash equivalents on hand however without additional financing, the Corporation will not be able to meet its financial obligations.

Fair Value Risk

The methods and assumptions used to develop fair value measurements for those financial instruments carried at fair value on the statement of financial position have been prioritized into three levels of a fair value hierarchy included in IFRS 7. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities, level two includes inputs that are observable other than quoted prices included in level one and level three includes inputs that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The Corporation's cash and cash equivalents are recorded using a level one fair value measurement.

The accounts receivable and accounts payable and accrued liabilities carrying values approximate fair value due to the short-term nature of the financial instruments.

The fair value of the debenture payable is impacted by changes in market yields which can result in differences between the carrying value and the fair value of the instruments. The carrying value of the debenture payable as at December 31, 2019 is \$2,000,000 (December 31, 2018 - \$2,000,000). The fair value of the debenture payable is not disclosed as it cannot be measured reliably due to the fact that there is no open market for similar debentures, the majority of the balance is held by related parties and the participating interest component is dependent on future sales, which are not reliably predictable.

Risks and Uncertainties

The Corporation's new business as a technology issuer is subject to a number of significant risk factors. The following are certain risk factors related to the Corporation, its business, and ownership of securities of the Corporation. If any event arising from the risk factors set forth below occurs, the Corporation's business, prospects, financial condition, results of operation or cash flows and in some cases, its reputation, could be materially adversely affected.

Risk Factors Related to the Operations of the Corporation

No Operating History as a Technology Issuer

The Corporation has a limited record of operating as a technology issuer in the media/promotions software research and development areas. As such, the Corporation is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Corporation will not achieve its financial objectives as estimated by management of the Corporation. Past successes of management of the Corporation or the Board in other ventures do not guarantee future success.

Problems Resulting from Rapid Growth

The Corporation is pursuing a plan to market its promotional platforms throughout Canada, the United States and abroad and will require additional capital in order to meet these growth plans. Besides attracting and maintaining qualified personnel, employees or contractors, the Corporation requires working capital and other financial resources to meet the needs of its planned growth. No assurance exists that the plans will be successful or that these requirements will be satisfactorily handled, and this may have material adverse consequence on the business of the Corporation.

Risks Related to Our Business and Industry

Our success will depend on our ability to attract new customers and subsequently retain them and to subsequently increase sales to both new and existing customers. We will principally generate revenues through the sale of promotion campaigns. Our current financial model is pay-as-you-go. Our customers have no obligation to purchase more than one campaign at a time. We may also fail to attract customers or increase

sales to customers as a result of a number of other factors, including: competitive factors affecting the software as a service, or SaaS, business software applications market, including the introduction of competing products, discount pricing and other strategies that may be implemented by our competitors; our ability to execute on our growth strategy and operating plans; and the timeliness and success of our products. We currently have no paying customers.

Growth of E-Commerce

The gamification of online advertising is a relatively nascent marketing medium. The Corporation's ability to attract clients and grow is directly connected to growth in, demand for, alternative online marketing solutions.

Competition Risk

The Corporation will face competition from a number of direct and indirect competitors. These competitors may limit the Corporation's opportunities to penetrate new markets and grow its market share. Further, the Corporation may face challenges attracting and retaining clients as other larger marketing/advertising companies with significantly more resources expand their product and services offerings to include promotional games and other services similar to those of the Corporation.

Liquidity and Capital Requirements

The Corporation faces significant challenges in order to achieve profitability. There can be no assurance that it will be able to maintain adequate liquidity or achieve long-term viability. The Corporation's ability to meet its obligations in the ordinary course of business is dependent upon management's ability to establish profitable operations or raise capital, as needed, through public or private debt or equity financings, or other sources of financing to fund operations. The disruption of the capital markets and the continued decline in economic conditions, amongst other factors, could negatively impact the Corporation's ability to achieve profitability or raise additional capital when needed.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our potential cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time however the Corporation will require equity capital in the near term and may require further capital in the medium or long term. If near-term financing is not available, we will be unable to continue our business. If continued financing over the medium or long term is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

Existing Debt

The Corporation has granted a security interest in its assets, including its intellectual property, to certain lenders under the provisions of a Participating Debenture as security for the loan. The loan also requires the Corporation to comply with certain financial covenants, which are tested on a monthly basis, and contains a number restrictive covenants, which would, among other things, prevent the Corporation from: (i) disposing of or selling its assets; (ii) making any changes in its debt or capital structure or amending its bylaws, (iii) consolidating or merging with other entities; (iv) entering into contracts outside of the normal course of business; (v) purchasing or redeeming any shares; (vi) paying dividends; or (vii) incurring lease obligations or capital expenditures above defined thresholds. A failure by the Corporation to repay the Debenture in accordance with its terms or other default would entitle the Debenture holder to, among other things, foreclose on the Corporation's assets, which would likely terminate its ability to continue its current business operations.

New Technology

Online advertising and promotions is a competitive environment where software and other products and services are subject to rapid technological change and evolving industry standards. The Corporation's future success depends on its ability to design and produce new games, products, services and platforms, deliver

enhancements to its products and services, accurately predict and anticipate evolving technology and respond to technological advances in its industry and its customer's increasingly sophisticated needs. The Corporation's platforms embody complex technology that may not meet those standards, changes and preferences. If the Corporation is unable to respond to technological changes, or if it fails or delays to develop products in a timely and cost effective manner, its products and services may become obsolete and the Corporation may be unable to recover research and development expenses which could negatively impact sales, profitability and the continued viability of the business.

Management of Growth

The Corporation may be subject to growth-related execution risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Acquisitions or Other Business Transactions

The Corporation may, when and if the opportunities arise, acquire other products, technologies or businesses involved in activities similar to the Corporation, or having products or intellectual property that are complementary to its business. Acquisitions involve numerous risks, including difficulties in the assimilation of operations, technologies and products of the acquired companies, the diversion of management's attention from other business concerns, risks associated with entering new markets or conducting operations in industry segments in which the Corporation has no or limited experience, and the potential loss of key employees of the acquired company. Future acquisitions by the Corporation could result in potentially dilutive issuances of equity securities, the use of cash, the incurrence of debt and contingent liabilities, and write-off of acquired research and development costs, all of which could materially adversely affect the Corporation's financial condition, results of operations and cash flows. Moreover, there can be no assurances that any anticipated benefits of an acquisition will be realized.

Impact of Competition

The online advertising and promotions industry is dynamic and competitive with new technology and services being introduced by a range of players, from larger established companies to start-ups, on a frequent basis. Newer technology may render the Corporation's platforms obsolete which would have a material, adverse effect on its business and results of operations.

If the Corporation's platforms fail to achieve or maintain market acceptance, or if new technologies are introduced by competitors that are more favorably received than the Corporation's platforms, or are more cost-effective or are otherwise able to render the Corporation's platforms obsolete, the Corporation would experience a decline in demand which would result in lower sales performance (if achieved at all) and associated reductions in operating profits (if achieved at all), all of which would negatively affect trading price of the Corporation's shares.

Viability of Internet and System Infrastructure

The end-customers of the Corporation's software depend on internet service providers, online service providers and the Corporation's infrastructure for access to the software solutions. These services are subject to service outages and delays due to system failures, stability or interruption. As a result, the Corporation may not be able to meet a satisfactory level of service which could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition.

New Laws or Regulations

A number of laws and regulations may be adopted with respect to browser-based and mobile phone services and promotional games covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights, consumer disclosure, prize award restrictions and information security. Adoption of any such laws or regulations may impact the ability

of the Corporation to deliver innovative online promotional services thus adversely affecting results of operations.

Retention or Maintenance of Key Personnel

There can be no assurance that the Corporation will be able to continuously retain or maintain key personnel. Failure to ensure the Corporation has adequate personnel may materially impact the Corporation's operations.

Strategic Relationships

Our growth will depend in part on our success in establishing strategic relationships with third parties such as e-commerce design and development platforms and marketing agencies. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating with third-party technology. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce sales of our promotional campaigns. We do not currently have any such strategic relationships established.

Conflicts of Interest

The Corporation may contract with affiliated parties or other companies or members of management of the Corporation or companies owned or controlled by members of the Corporation's management and associated and affiliated parties thereto. These parties may obtain compensation and other benefits in transactions relating to the Corporation. Certain members of management of the Corporation have business activities other than the business of the Corporation, but each member of management intends to devote a large portion of his or her working time to the Corporation. Although management intends to act fairly, there can be no assurance that the Corporation will not inadvertently enter into arrangements under terms less favorable than what might otherwise be available.

Proprietary Rights could be subject to Suits or Claims

No assurance exists that the Corporation or any company with which it transacts, can or will be successful in pursuing protection of proprietary rights such as business names, logos, marks, ideas, inventions, copyrights in visual works and technology which may be acquired over time. Failure by the Corporation to successfully defend or claim against a breach of proprietary rights may have a material adverse effect on the Corporation.

Market Price Volatility

Volatility in the market price of the Common Shares may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations affecting the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors, downward revision in securities analysts' estimates, governmental regulatory action, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, among others. Additionally, macro-economic conditions may adversely affect the market price of the Common Shares

Insurance Inadequacy

No assurance can be given that insurance will cover the risks to which the Corporation's activities will be subject, or will be available at economically feasible premiums, or at all. There is no assurance that in the event of claim or loss, the Corporation will have adequate insurance coverage.

Foreign Currency Risk

The Corporation anticipates transacting business in multiple currencies, the most significant of which are expected to be the Canadian dollar, the US dollar, the Euro and various Asian currencies. As a result, the Corporation will have foreign currency exposure with respect to items denominated in foreign currencies.

Forward-Looking Information May Prove Inaccurate

Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the

forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Investment Returns

The Corporation may never achieve a level of profitability that would permit payment of dividends or making other forms of distributions to security holders. Payment of any future dividends by the Corporation will be at the sole discretion of the Board of Directors. The Corporation currently intends to retain earnings to finance the expansion of its business and does not anticipate paying dividends in the foreseeable future.

Litigation Risks

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, intellectual property rights and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation succeeds in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Corporation's business operations, which could adversely affect its financial condition.

Risks Relating to the Corporation's Intellectual Property

Protection of the Corporation's Intellectual Property

The Corporation intends to protect its intellectual property through trade secrets, reliance upon copyright legislation and patent or patent pending applications, where applicable. Despite the Corporation's best efforts, filing patent or patent pending applications may not result in enforceable patent rights in all jurisdictions in which the Corporation conducts operations. Any issued patents or third-party patents to which the Corporation has licensed rights may be of a restricted scope that does not cover possible foundational technologies and/or technologies used by others.

The Corporation may not be successful in securing or maintaining proprietary or future patent protection for the technology developed internally and used in its systems or services, and protection that is secured may be challenged and possibly lost.

Unauthorized parties may attempt to copy aspects of the Corporation's products or to obtain information the Corporation may regard as proprietary. Policing unauthorized use of proprietary technology, if required, may be difficult, time-consuming and costly. If a third-party misappropriates the Corporation's intellectual property, the Corporation may be unable to enforce its rights. If the Corporation is unable to protect its intellectual property against unauthorized use by others, an adverse effect on the Corporation's business, operations and market position.

Open Source Software

The Corporation may use open source software in some of its software solutions. Licenses governing the Corporation's use of open source software may contain requirements that the Corporation make available source code for modifications or derivative works based upon the open source software, and that the Corporation license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. The terms of certain open source licenses may require that the Corporation release the source code of its proprietary software and make it available under open source licenses. Although the Corporation monitors its use of open source software, the Corporation cannot provide assurance that all open source software has been reviewed prior to use in its software solutions, or that the Corporation's programmers have not incorporated open source software into its platforms, and will not do so in the future. In addition, the terms of open source software licenses may require the Corporation to provide software that the Corporation develops using such open source software to others on unfavorable license terms. As a result of the Corporation's future use of open source software, the Corporation may face

claims or litigation, be required to release its proprietary source code, pay damages for breach of contract, re-engineer its solutions, discontinue making its solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and the Corporation may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open source software may lead to additional unanticipated risks as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on the Corporation's business, financial condition and operating results.

Subsequent Events

The current COVID 19 pandemic will have a significant negative effect on the business of the Corporation. The largest and controlling shareholder of the Corporation is a Chinese based company. The new business opportunities being pursued by the Corporation are all focussed on the Chinese e-commerce and consumer market. Financing opportunities for the Corporation are primarily focussed in China. As a result of these factors, the impact of the COVID 19 pandemic will be particularly negative for the Corporation. The extent and duration of the impact of the COVID 19 pandemic are unknown however it's very negative impact on the ability of the Corporation to continue or to develop new business opportunities must be assumed.

Reference is made in this MD&A to the Corporation's financial statement disclosure for the relevant periods filed on the SEDAR website for the Corporation at www.sedar.com where additional disclosure relating to the Corporation can also be located. Readers are strongly encouraged to review such additional disclosure.

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