ZONETAIL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS

THREE AND SIX MONTHS ENDED JUNE 30, 2019

Introduction

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Zonetail Inc. ("Zonetail" or the "Company") has been prepared by management as of August 22, 2019 and was reviewed and approved by the Audit Committee, and is intended to supplement and complement the condensed unaudited interim consolidated financial statements and notes thereto, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), for the three and six months ended June 30, 2019 (collectively, the "Financial Statements"). The following discussion of performance, financial condition and prospects should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and the MD&A for the year ended December 31, 2018. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at **www.sedar.com**.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of (i) this MD&A; or (ii) as of the date specified in such statement. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business and Outlook

Zonetail provides mobile platforms to hotels and condominiums connecting the guests of a hotel and the residents of a condo to the amenities and services of their building through the convenience of their personal mobile device. Included on both platforms is an explore section highlighting the businesses and services in the local area. These businesses pay to be on the platform to reach the highly sought, but often difficult to reach hotel guest and condo resident.

Zonetail is partnered with AAHOA, the largest association of hoteliers in the world, representing over 25,000 hotels and 50% of the US market. Zonetail is also partnered with Shiftsuite, one of the largest property management system software providers to the condo industry in Canada, with approximately 2,000 condo buildings, representing an estimated 400,000 units.

The company has currently launched its hotel platform in conjunction with AAHOA, in 8 U.S. cities to date, and plans to work closely with AAHOA to continue the onboarding of hotels, and building the user base, city-by-city throughout 2019.

In conjunction with its partner SEL Global, press released on April 16th 2019, the Company is in discussions with two large potential strategic partners in the U.S. to accelerate the rollout in the hotel vertical. These partnerships could provide an opportunity to significantly expedite the rollout, awareness and monetization of the platform.

The launch of the condo platform was announced in January of 2019, and the company has continued to work with the condo property management corporations throughout Q2 to promote the app directly to their residents. Downloads continue to increase quarter over quarter, with the six months ended June 30, 2019 seeing a 519% increase in downloads over the first quarter of 2019.

The ad sales for 2019 is focused primarily on the condo vertical as it is the shortest path to sustainable recurring monthly revenue. The Company has presented the condo offering to over 100 companies across Canada, many of whom view Zonetail's mobile platform to be a better and more cost effective alternative to reach condo residents than traditional mediums like direct mail. During the six months ended June 30 2019, the Company signed SIR Corp as an advertiser, press released July 9, 2019, along with several other regional and local businesses to further increase recurring monthly revenue. Throughout the six months ended June 30, 2019, the Company has been engaged with national, regional and local advertisers who have expressed significant interest in participating on the condo platform. The Company expects to close some of these advertisers in the 2019 fiscal year while continuing to add new businesses to the sales funnel.

A second transaction-based revenue stream was introduced ahead of projections in the three months ended March 31, 2019, where Zonetail receives payments for purchases made through the application. Throughout the six months ended June 30, 2019, the Company continued to develop the transaction revenue stream. The letter of intent signed with Pineapple Express Delivery, press released on May 29th, 2019, is a major step in fulfilling Zonetail's promise to shareholders towards securing a cannabis partnership to deliver cannabis products to hotels and condominiums. The Company will receive a transaction fee for each delivery made, where it is legal to do so. The company expects to finalize this agreement in the fall. The company is in discussions with, and will continue to seek additional transaction based partnerships both big and small, in many areas including; food delivery in the U.S., ride-sharing, sports teams and event planners for ticket sales, among others.

The Company's management has reduced overhead costs significantly in the six months ended June 30 2019 and increased revenues.

The Company is currently in the process of securing a private placement of convertible debentures to provide additional working capital to the Company and fund the continued operations. The transaction is expected to close in the third quarter of 2019.

Future revenue is expected from the resale of the data and analytics captured through new location-based technology that has recently been built into the platforms, as well as commissions generated from a planned hotel booking engine to drive reservations to AAHOA and other hotel partners.

The company is currently engaged in discussions with several potential strategic partners and will continue to pursue strategic relationships that will enhance the technology, grow the user base and generate revenue, all in efforts to bring added value to shareholders.

On April 24, 2019, the Company received a statement of claim filed by a former consultant of the Company with the Ontario Superior Court of Justice, claiming $70,000 for a breach of a contract. The Company believes the claim is without merit, has engaged counsel and intends to defend its position vigorously. Accordingly no accrual has been recorded in these condensed interim consolidation financial statements.

On June 27, 2019, the Company was served with an application to the Ontario Superior Court for a Bankruptcy Order seeking, among other things, judgement that the Company is a bankrupt and claiming that the Company is indebted to Belgravia as of June 14, 2019, in the total amount of $325,000. The Company does not believe it is in default of its obligations to Belgravia under the terms of its indebtedness to Belgravia. The Company intends to defend against this claim.

The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "ZONE".

Trends

Zonetail believes the most significant factors and trends that affect its financial performance and results of operations are as follows:

Regulatory and Industry Advertising Standards: The digital advertising environment is nascent and new dynamics are affecting and challenging the new ecosystem of advertising distribution, sales and consumer adoption. Though Zonetail's advertising content is delivered uniquely, Zonetail is aware of these potential threats and disruptive dynamics.

Competitive Conditions: Zonetail competes in North America with a number of competitors including hotel brand mobile apps, stand alone subscription mobile apps, adjacencies and potentially not yet launched new business models. Zonetail's ability to understand is customer's business challenges, and strategies as well as these businesses' end users' travel and local needs will need to stay at the forefront of all Zonetail market analysis and growth plans.

More horizontally integrated mobile technology: Several hotel brands and some standalone mobile competitors are beginning to develop in-house or as a commercial offering, more horizontally diversified product offerings. These offerings range from guest acquisition, Customer Relationship Management software, reservation systems and PMS integration, digital marketing and reputation management. Zonetail needs to ensure this strategy and these offerings don't pre-emptively lock out Zonetail while it looks to itself provide a more diversified offering.

Reduced advertising pricing levels: As the digital advertising media and delivery business continue to evolve with systems such as Programmatic, Real Time Bidding and additional adjacencies, there is the potential for advertising prices to fall. Zonetail will continue to monitor these new systems and their effects on market pricing, while concurrently evolving its product's value proposition and data capture capabilities which warrant premium pricing vs conventional current digital advertising inventory formats of banners, take-overs and rich media.

Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Discussion of Operations

Three months ended June 30, 2019, compared to the three months ended June 30, 2018

The Company's net loss totalled $521,299 for the three months ended June 30, 2019, compared to $441,054 for the three months ended June 30, 2018. The increase in net loss of is principally the result of the following:

- Salaries increased by $92,683 for the three months ended June 30, 2019, due to the growth in the company.

- Interest and accretion decreased by $193,783 for the three months ended June 30, 2019. As the Company converted all convertible debentures during the year ended December 31, 2018 there was no associated interest and accretion expense in the three months ended June 30, 2019.

Liquidity and Financial Position

Cash and cash equivalents used in operating activities was $888,824 for the six months ended June 30, 2019 compared to $455,684 in the prior period. Operating activities were affected by increased focus on sales and growth in the six months ended June 30, 2019.

At June 30, 2019, Zonetail had $17,486 in cash and cash equivalents and $257,187 in accounts receivables (December 31, 2018 - $932,650 and $202,169). A significant amount of the accounts receivable were collected in the six months ended June 30, 2019 to provide immediate liquidity to finance current options.

Accounts payable and accrued liabilities were $421,373 at June 30, 2019 (December 31, 2018 - $338,088). The Company's cash and cash equivalents and accounts receivable balances as at June 30, 2019 are not sufficient to pay these liabilities. As such, management is actively pursuing additional capital financing to fund the operations of the company.

As of June 30, 2019, and to the date of this MD&A, the cash resources of Zonetail are held with Canadian chartered banks. Accounts payable and accrued liabilities are short-term and non-interest-bearing.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2019, the Company is not compliant with this requirement, and continues to seek additional sources of liquidity.

The Company is currently in the process of securing a private placement of convertible debentures to provide additional working capital to the Company and fund the continued operations. The transaction is expected to close in the third quarter of 2019.

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019 ($)	2018 ($)	2019 ($)	2018 ($)
Salaries and benefits	40,500	26,250	81,000	52,500

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and six months ended June 30, 2019, the Company paid or accrued professional fees of $29,384 and $36,760 (three and six months ended June 30, 2018 - $16,161 and $17,288) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping services to the Company. As at June 30, 2019, MSSI was owed $8,418 (December 31, 2018 - $2,383) with respect to services provided.

Change in Accounting Policies

Recent accounting pronouncements

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company adopted IFRS 16 for the period beginning January 1, 2019. The impact of the adoption are disclosed in the notes of the Company's condensed unaudited interim consolidated financial statements.

Outstanding Share Capital

As at the date of this MD&A the following equity instruments are outstanding:

	Range of Exercise Prices	Number of shares issued or issuable
Common shares		64,774,130
Stock options	$0.14 - $0.25	11,428,613
Warrants	$0.15 - $0.25	5,192,930

Risk Factors

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it, in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com).

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assumer these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Please refer to the section entitled "Risk Factors" in the Company's MD&A for the fiscal year ended December 31, 2018.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim consolidated financial statements, and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.