ZONETAIL INC.

Management's Discussion and Analysis
Year ended December 31, 2022

Introduction

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Zonetail Inc. ("Zonetail" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2022. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion dated April 28, 2023, should be read in conjunction with the Company's consolidated financial statements for years ended December 31, 2022 and 2021 with the notes thereto. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Further information about the Company and its operations can be obtained from the Company's website www.zonetail.com or on SEDAR at **www.sedar.com**.

Description of business

Zonetail is an emerging company focused on transforming the way high and mid-rise residents manage their homes by connecting people to products, amenities and services through a powerful mobile platform creating a distinct market and channel advantage. The Company is integrated with Yardi, North America's largest property management software company ("PMC") and Shiftsuite, a major condo property management software company in Canada and is currently working on the integration with MRI Software.

The Zonetail platform is addressing the needs of the large and growing population of residents of multi-family residential buildings, planned communities, condominium communities, and housing cooperatives. Increasing population growth and urban densification continue to grow this segment which in 2020 was estimated to be 26% of all U.S. residents[1]. This mobile and technology-savvy audience have proven to be active adopters of the Zonetail app as all key indicators, property management companies signing on, downloads and monthly active users, all continue to increase at a steady pace.

The Zonetail user base, and immediate addressable market also proves to be an attractive audience for businesses participating on the platform in Zonetail's unique "Marketplace", who wish to connect with this large, lucrative, and growing market of high-rise residents.

Currently, Zonetail is live in over 130,000 households and onboarding approximately 1,700,000, and as a direct result of the early success of the Yardi rollout, the Company is in various stages of negotiations with dozens more property management companies and property management software companies across Canada and the U.S. representing over 14 million units.

Zonetail: the first super-app

The definition of a super-app according to Wikipedia is a mobile or web application that can provide multiple services including payment and financial transaction processing, effectively becoming an all-encompassing self-contained commerce and communication online platform that embraces many aspects of personal and commercial life.

"By now, there are over 435,000 app downloads per minute for a total of 230 billion per year. In this context, super apps have become a popular topic, and have been named one of Gartner Top 10 Strategic Technology Trends for 2023"

https://www.thoughtworks.com/en-ca/insights/blog/mobile/super-apps-global-trend

The Zonetail app was designed to be a super-app before the term 'super-app' was even a thing.

[1] https://foundation.caionline.org/publications/factbook/statistical-review/

People no longer want an app to do one specific task. They prefer an app that can do everything they need all wrapped up in one. That's exactly what Zonetail has been doing well before the rest of the world caught on. Not only are we the first to market in the residential industry, but we're also the only one that can claim the title of being a super app.

Interacting with your building and streamlining the communication process between property management and resident/tenant is only half the battle. People need much more.

Having access to home services, grocery delivery, home decor, travel options, retail shopping, health and beauty, automotive, you name it and it's there, right in the palm of your hand.

Building out a marketplace for an industry the size of the North American high-rise residential segment does not happen overnight. To better explain the success that Zonetail has achieved it is important to revisit Zonetail's unique business model.

<u>Highlights</u>

- Zonetail has recently signed agreements with two of the largest property management companies in North America representing just shy of two million units.
- Once fully rolled out this represents a 1731% increase in Zonetail's property portfolio since the start of 2023.
- The Company has an additional 14 million units in its immediate pipeline.
- The Company now reports that it has enough buildings now to begin monetization.

Zonetail's business model (simplified)

- Zonetail partners and integrates with leading PMS (Property Management Software) companies like Yardi, Shiftsuite and more recently MRI Software. This gives us access to their clients – the PMCs (Property Management Companies).
- The PMCs sign on as Zonetail comes at no cost and adds incredible value, saving them considerable operational costs and introducing a new auxiliary revenue stream.
- Once uploaded onto the platform, the PMCs promote the downloading to their residents via email, so the Company's user acquisition cost is $0.
- The residents download the app, (after all if you lived in a high rise building and the building told you there was a new app, you'd download it too).
- With the downloads, the businesses that want to reach roughly 30% of the North American population pay to be on the platform. Thus, recurring revenue.

To execute against this model Zonetail needed to forge relationships with the PMS companies, which we have done with great success, and we will continue to forge more. The next step was to sign the PMCs to get the buildings and users.

Recent accomplishments

Over the past 12-18 months Zonetail was focused on adding more buildings to our property portfolio. New buildings provide the Company with a larger user base, which in turn provides the ability to generate meaningful revenue.

- In the first quarter of 2023, Zonetail signed two new agreements with two very large Property Management Companies. In total they represent just shy of 2 million units.
- Once fully rolled out that represents a 1731% increase to Zonetail's property portfolio since the start of 2023 and more are pending!
- There are another ~14 million units in our immediate pipeline, some of which we expect to sign in the coming weeks.
- In addition, Zonetail signed an agreement with MRI Software in the fall of 2022. Once the integration is complete, Zonetail will begin rolling out to MRI's large portfolio of 20.1 million units.

- With all these exciting developments, the imminent MRI rollout, and the units in our immediate pipeline, Zonetail's emphasis is no longer solely focused on growing the property portfolio. As we roll these new units out, we are now in the position to begin monetizing it.
- These developments once again prove the need and broad desire for Zonetail in the high-rise property management residential industry.

Revenue
Zonetail has made several signings over the past few months as we continue to add more and more businesses to the Marketplace. The Company is actively introducing the Zonetail platform to some of the largest companies in North America and it is being very well received. Some of the industries the Company is focusing on include; credit card, retail chains, restaurant chains, travel (airline and hotel chains), home improvement, technology, media giants, banks, home furnishings, among others. As the Company continues to expand, it is expected that more and more businesses will participate in the Marketplace, generating both transactional revenue as well as advertising revenue.

The imminent launch of the payment processing feature is also expected to add significant revenue beginning in 2023.

Technology updates
The Company is engaged in several integrations and technology updates. Some are necessary to provide our platform to a greater number of PMCs and buildings, some are designed to drive revenue, while others are meant to increase user engagement.

- *Payment Processing*: On July 19, 2022, Zonetail announced the partnership with Fortis to allow for payment processing, which is expected to create a significant new revenue stream for the Company. Once launched, Zonetail will generate revenue from residents paying their monthly rent or maintenance dues who live in participating buildings. With the number of requests from property management companies asking Zonetail to include this service, the Company expects to have quite a few participating buildings. Payment processing is expected to begin beta testing in the coming weeks.
- New Integration: One of Zonetail's most recent signings requires a new integration with the PMS backend technology stack that the PMC is using. This is a priority, and the Company aims to complete this and get it into beta testing this spring.
- MRI Software integration: The Company aims to complete the necessary development work over the coming weeks to provide MRI with our platform so they can begin to deploy it across their large portfolio of PMC clients.
- MEALMe Integration: On September 26, 2022, the Company announced the signing of an agreement with MealMe. This integration is expected to drive significant revenue once complete. Part of this integration also includes the introduction of payment processing to the Marketplace which will provide additional revenue from the MealMe partnership and other current and future transaction-based clients.
- Forums: Zonetail plans to introduce user forums allowing residents (users) to create content and communicate with each other. This is expected to drive user engagement.
- Data and Analytics: The Company is also enhancing its capabilities in capturing meaningful data and analytics and tying that capture to a future planned introduction of artificial intelligence.

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.

Commitments and contingencies

From time to time, the Company may be subject to legal proceedings and claims related to matters arising in the ordinary course of business. We do not believe the Company is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred. See "dispute" below related to the Belgravia dispute.

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.

Selected annual information

Year ended December 31	**2022** **$**	**2021** **$**	2020 $
Net loss and comprehensive loss for the year	**2,062,666**	**1,934,147**	1,220,489
Total assets (1)	**296,666**	**1,251,251**	243,652
Loss per share (basic and diluted)	**0.01**	**0.01**	0.01

(1) As at December 31

Summary of quarterly results

For the eight most recent quarters:

	December 31 2022 **$**	**September 30 2022** **$**	**June 30 2022** **$**	**March 31 2022** **$**
Total revenue	15,525	12,981	4,200	5,344
Net loss for the period	(457,650)	(529,723)	(583,390)	(491,903)
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00
Total assets	296,666	144,261	464,057	765,461

	December 31 2021 **$**	**September 30 2021** **$**	**June 30 2021** **$**	**March 31 2021** **$**
Total revenue	4,200	10,730	10,570	15,386
Net loss for the period	(513,005)	(546,940)	(513,226)	(360,976)
Net loss per share (basic and diluted)	0.00	0.01	0.00	0.00
Total assets	1,251,251	1,831,269	1,884,486	742,878

Variations in net loss and comprehensive loss primarily result in changes to software development expense, professional fees, share based compensation, changes in salaries from 2021 to 2022 and general and administrative costs.

Discussion of operations
Sales for the year ended December 31, 2022, were $38,050 ($40,886 for the year ended December 31, 2021). The Company is in early stage revenue and is focused on growing its user base and user activity, consequently sales are variable quarter to quarter. The sales in 2022 are lower than in 2021 as the Company has been focused on developing its user base and Marketplace, where it earns revenue from transactions and referrals. As more customers and property management companies are signed to this model, revenues should begin to grow substantially.

The Company's net loss and comprehensive loss for the year ended December 31, 2022 totalled $2,062,666, compared to $1,934,147 for the year ended December 31, 2021. The increase in net loss and comprehensive loss is the result of the following:

- Software development expense decreased by $159,740, due to reduced activity.
- Professional fees decreased by $92,137, due to lower litigation costs.
- Salaries increased by $192,862, as a result of hiring a Executive Vice-President Sales and Strategic Partnerships, Chief Technical Officer and other sales staff in 2022.
- Investor relations decreased by $18,034.
- Advertising and promotion increased by $173,955 due to costs related to development of the Marketplace.

Liquidity and financial position
Cash used in operating activities was $1,530,304 for the year ended December 31, 2022 compared to cash used in operating activities of $1,982,665 in the year ended December 31, 2021.

As at December 31, 2022, Zonetail had $176,884 in cash and $65,114 in trade and other receivables (December 31, 2021 - $1,088,207 and $118,840).

Accounts payable and accrued liabilities were $554,761 at December 31, 2022 (December 31, 2021 - $225,341).

As of December 31 2022, and to the date of this MD&A, the cash resources of Zonetail are held with Canadian chartered banks. Trade and other payables are short-term and non-interest-bearing.

The Company has an accumulated a deficit of $13,788,389 as at December 31, 2021 (December 31, 2021 - $11,745,643). The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain equity investment and borrowings sufficient to meet current and future obligations. The Company had a net loss and comprehensive loss for the year ended December 31, 2022 of $2,062,666 (year ended December 31, 2021 - $1,934,147). The Company has issued 16,044,750 Units for gross proceeds of $641,790 during the year ended December 31, 2022, providing additional working capital to the Company and fund the continued operations.

Current financing efforts
Debentures
The Company is currently offering a proposed non-brokered private placement of up to $1,000,000 in Series A 20% secured notes ("Notes") of the Company at a purchase price of $1,000 per Note (the "Offering").

The Notes will be granted a security interest ranking equivalent to other notes in this offering and ranking ahead of all unsecured debt of the Company but subordinate to its indebtedness from time to time to its commercial lender, to the extent such indebtedness is secured by the property and assets of the Company, will be repayable two (2) years from the closing of the Offering. Interest will accrue on the principal amount of the Notes at 20.0% per annum, payable annually in arrears. The maturity date for repayment of the Notes may be extended, at the option of the Company, for up to an additional 12 months, on payment of additional interest at the rate of 2% for such extension period. Interest, including additional interest if any due during the extension period, will be payable annually in arrears, and in cash or common shares, at the election of the Company.

The Company will pay on account of accrued and unpaid interest (to the extent payable in cash) first and payments on account of principal second, 40% of monthly cash received from gross revenue in excess of $150,000. Such payments shall be made within 30 days following the end of each month on a pro rata basis to all holders of the Notes and shall result in a permanent reduction of the principal amounts due thereunder.

The principal amount of each Note and all accrued and unpaid interest, as maybe outstanding, may be converted into common shares of the Company (the "Shares"), with each Share priced at $0.05 per Share for the first year from closing and $0.10 per Share thereafter (the "Conversion Price").

Conversion terms
i) at the option of the holder at anytime.
ii) at the option of the Company, at the Conversion Price if and when the closing price of the Common Shares on the TSX Venture Exchange or any other exchange or market on which the Common Shares may be traded on 10 consecutive or non-consecutive trading days equals or exceeds $0.125 per share.

20,000 Warrants per Note. Each Warrant shall be exercisable into one (1) common share of the Company for one year from the closing date (the "Warrant Expiry Date") at an exercise price of $0.05 warrant. The Warrants will be issued as certificates in registered form to the subscribers under the Offering. The Warrants will expire on the Warrant Expiry Date unless extended by the Company in its discretion subject to any required regulatory consents or approvals. The Warrants will contain customary terms and conditions including anti-dilution protections and acceleration provisions in the event of the occurrence of a sale or change of control of the Company.
On April 24, 2023, the Company completed the first tranche of the Offering, issuing $203,800 of Notes, due between April 3, 2025 and April 20, 2025. The Company also issued, with the Notes, 4,076,000 warrants exercisable into one common share of the Company for one year from the closing date at an exercise price of $0.05 per warrant.

Common shares
On April 19, 2023, the Company also announced an offer for sale, on a non-brokered private placement basis, of securities of the Company consisting of shares of the Company at a price of $0.02 per share for aggregate gross proceeds of up to $1,500,000. Assuming the Maximum Proceeds are raised, the Company will issue 75,000,000 Shares.

The Company currently believes it will have current working capital and future income prospects to continue operations for the next 12 months.

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:

	For the year ended December 31	
	2022	2021
	$	$
Salaries and benefits	**359,981**	373,988
Share based compensation	**15,995**	80,873

Due to related parties includes $24,744 (December 31, 2021 - $23,083) accrued for director's fees which have no terms of repayment and are unsecured.

On October 5, 2022, a director of the Company subscribed for $136,790 of the private placement.

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		209,882,884
Warrants	$0.05 - $0.06	14,173,375
Stock options	$0.05 - $0.18	15,860,000

Dispute
On June 27, 2019, Belgravia Hartford Capital Inc. ("Belgravia") brought a nuisance insolvency application against the Company. Belgravia took no further steps in this application. This application was dismissed with prejudice on August 17, 2020. On December 19, 2019, the Company served Belgravia with a statement of claim in the aggregate amount of $6,173,000 and also seeking a declaration that the promissory note owed to Belgravia in the amount of $325,000 is not due or owing. Zonetail has asserted a right of off-set based on its position that Belgravia has, among other things, breached the parties' management services agreements, for which Belgravia was paid by Zonetail. Zonetail has also claimed that Belgravia's wrongful bankruptcy application has caused substantial consequential damages to the Company. On September 28, 2020, Belgravia filed a statement of defense and counterclaim in the amount of $2,500,000. The Company believes Belgravia's counterclaim to be frivolous. The statement of claim and counterclaim has proceeded to discoveries with a trial date expected in July 2024.

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.

Due to the nature of Zonetail's business, the legal and economic climate in which it operates and its present stage of development, Zonetail is subject to significant risks. Zonetail's future development and operating results may be very different from those expected as of the date of this MD&A. Risk factors include, but are not limited to, the following:

- Zonetail is a development stage business and has not reported significant revenues from incorporation;
- uncertainty of profitability in the future;
- Zonetail's history of losses;
- no assurance that any of the contemplated products will generate sustainable earnings or provide a return on investment in the future;
- no market for the securities of Zonetail;
- limited operating history as a development stage company;
- shares in Zonetail are not freely tradable during a restricted period under securities laws;
- dependence on certain entities for advertisement placement;
- competition within Zonetail's markets;
- the requirement to develop the "Zonetail" brand in order for Zonetail to be successful;
- rapid technology developments in Zonetail's markets and the dynamic nature of the hotel industry;
- possible defects in products and services delivered by Zonetail;

- risks associated with loss or theft of user data gathered by Zonetail;
- risks associated with entering new business areas and geographic markets;
- risks associated with building Zonetail's operations and financial infrastructure as it scales its business;
- defects in Zonetail's information technology infrastructure;
- Zonetail's reliance on communications networks owned and operated by third parties;
- the Zonetail app's reliance on third-party platforms;
- risks from potential failure of Zonetail's systems;
- risks associated with displaying third party content;
- risk related to Zonetail's dependence on key personnel;
- government regulation of digital data;
- risks from periodic litigation involving Zonetail;
- risks related to increasing competition in the hotel industry;
- risks related to declines or disruptions in the hotel and travel industries;
- payments-related and fraud risks;
- risks associated with potential intellectual property actions;
- Zonetail's ability to raise adequate capital;
- Zonetail's management and conflicts of interest;
- dependence on the internet and cellular data networks;
- the additional regulatory burden as a public company;
- changes in accounting and tax rules (whether expected or unexpected).

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.

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.