



**SCOPE AI CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED MARCH 31, 2024**

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended March 31, 2024 ("MD&A") has been prepared as of May 29, 2024. It should be read in conjunction with the audited financial statements of Scope AI Corp. (formerly Scope Carbon Corp.) (the "Company") for the year ended September 30, 2023, and the condensed interim financial statements for the six months ended March 31, 2024.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in the Company's presentational currency of Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this MD&A include, among others, statements regarding our future operating results, economic performance and product development and commercialization efforts, and statements in respect of:

- our expected future losses and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our requirement for, and our ability to obtain, future funding on favorable terms or at all;
- our potential sources of funding;
- our assessment of the benefits of our technology;
- our plans to market, sell and distribute our technology;
- our expectations regarding the acceptance of our technology by the market;
- our expectations with respect to future corporate alliances and licensing transactions with third parties; and
- our strategy with respect to the protection of our intellectual property.

A number of factors could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance, or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of our technology;
- the risks associated with the development and commercialization of our technology;
- the risks associated with the increase in operating costs from additional development and commercialization costs and increased staff;

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- the regulatory approval process;
- our ability to successfully compete in our targeted markets;
- our ability to adequately protect proprietary information and technology from competitors;
- our ability to attract and retain key personnel;
- the potential for liability claims; and
- the substantial risks involved in early-stage technology development companies related to, among other things, commercialization, capitalization, cost containment, and potential litigation.

Although the forward-looking statements contained in this MD&A are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance, or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A.

Forward-looking statements made in this MD&A are made as of the date of the original document and have not been updated by us except as expressly provided for in this MD&A. As required by applicable securities legislation, in its capacity as a reporting issuer, it is the Company's policy to update forward-looking information in its periodic MD&As, as required from time to time, and provide updates on its activities to the public through the filing and dissemination of news releases and material change reports.

OVERALL PERFORMANCE

Scope AI Corp is an artificial intelligence-based technology company focusing on its recognition system called GEM - General Enterprise Machine Learning. The company, located in Vancouver, British Columbia is consistently developing AI-driven software and intellectual property for use in analyzing which the company intends to use for any "visual" application. The vision of the Company is to expand the capabilities of its GEM Platform and provide a one-tool solution in any visual information systems.

Over the last few months, the Company's management and technology team have devoted a significant amount of time diversifying the GEM system. The new one-tool-solution for businesses to develop their own object detection and visual information system will be offered through a proprietary platform launch by the second quarter of 2024. In particular, users will be offered the ability to easily render their own neural networks, annotate datasets and verify the inference improvements through various state of the art analytics tools.

The new GEM Platform comes as a SaaS web-application with advanced user management for administrators or supervisors (CRM), enhanced login and account security, as well as full data encryption built natively into the platform. Scope's initial target market is the advertising, gaming, and health care industries. Businesses of any size can easily onboard and start using the intuitive web-interface to build custom solutions for their respective businesses. An advanced Application Programming Interface (API) will also be made available later this year.

The beta version will allow the Company to determine optimal economics for the product offering as well as an initial industry focus. Currently, the Company is contemplating a recurring revenue subscription fee structure and a pay-as-you-play model on the platform in order to best meet the needs of the client in a flexible way. A final decision on a revenue model will be determined after beta testing.

During the six months ended March 31, 2024 and to the date of this MD&A, the Company accomplished the following:

- Closed a non-brokered private placement for the issuance of 1,250,000 units at a price of \$1.60 per unit for aggregate gross proceeds of \$2,000,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$2.25 per share for a period of two years.

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- Realized gross proceeds of \$990,000 (\$22,000 received during the three months ended September 30, 2023) through exercise of a total of 4,950,000 common share purchase warrants exercisable at \$0.20 per share.
- Appointed a new Chief Executive Officer.
- Provided an update on new developments of the artificial intelligence driven recognition technology called GEM. With the latest advancements, focus has broadened in addition to past announced realized technology applications to developing a one-stop web solution for developers and individuals, as well as businesses, large and small, to create, build, and use their own image detection, behavior analysis and neural network systems for their customer business case.

RESULTS OF OPERATIONS

The Company incurred a net loss of \$2,201,697 for the six months ended March 31, 2024 (2023 - \$1,355,434).

	2024	2023
	\$	\$
Expenses		
Advertising and promotion	27,340	9,192
Bank charges	1,167	859
Consulting	117,500	19,500
Currency exchange	3,810	1,739
Filing and transfer agent fees	52,544	23,787
Investor relations	-	83,333
Office expenses	11,322	2,849
Professional fees	94,386	94,792
Research and development	62,982	190,726
Share-based compensation	1,146,846	958,911
Travel & entertainment	323	93
Impairment of investments	688,294	-
Interest and other income	(4,817)	(30,347)
Net loss and total comprehensive loss for the period	2,201,697	1,355,434

Advertising

During the current period, costs were incurred relative to the rebranding of the Company inclusive of its website.

Consulting fees

During the current period, fees charged by related parties and external consultants increased effective October 1, 2023. Valuation fees were incurred with respect to the proposed Farm Flight Inc transaction.

Filing fees

During the current period, additional US filing fees were incurred.

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Investor Relations

During the prior period, the Company engaged an investor relations consultant for an initial six-month term which was not renewed.

Office expenses

Office expense increases relate to a new month-to-month sub-lease agreement.

Professional fees

Costs were relating to legal fees for the proposed transaction with Farm Flight Inc., rebranding, and corporate, commercial, and regulatory guidance in addition to accounting services.

Research and Development

The material components of Research and Development costs relate to a product development agreement which was terminated on November 15, 2023. Costs were incurred in the current period relating to development of neural network software.

Share-based Compensation

On October 3, 2022, the Company granted 1,500,000 options to directors, officers, advisors of the Company to acquire common shares of the Company at a price of \$0.60 per share expiring in 5 years from the grant date. On October 16, 2023, the Company entered into a consulting agreement with an advisor to the Company and granted 1,000,000 restricted share rights.

The share-based compensation expense relates to the vesting of the options and restricted share rights granted.

Impairment of Investments

The Company continued to consider the ability of Farm Flight Inc. to repay each of the loan financing contracts and recognized an impairment in accordance with Level 3 of the fair value hierarchy.

SUMMARY OF QUARTERLY INFORMATION

The following financial data was derived from the Company's financial statements for the last eight quarters:

Three months ended	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023
	\$	\$	\$	\$
Total revenues	nil	nil	nil	nil
Net loss	(825,229)	(1,376,468)	(954,809)	(895,131)
Net loss per share	(0.02)	(0.03)	(0.02)	(0.02)

Three months ended	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
	\$	\$	\$	\$
Total revenues	nil	nil	nil	nil
Net loss	(497,371)	(858,063)	(170,797)	(95,608)
Net loss per share	(0.01)	(0.02)	-	-

Due to the nature of its current operations, the Company earned no revenue during the periods presented.

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Quarterly fluctuations mainly relate to investor relations fees, research and development costs and share-based compensation expense, which is recognized as equity incentive payments are granted and vest, and investment impairments which are recognized as conditions arise.

During the periods ending December 31, 2022, to March 31, 2024, significant non-cash share-based compensation was recognized. During the three months ended December 31, 2023 and September 30, 2023, significant non-cash investment impairment was recognized. During the three months ended June 30, 2023, the Company issued the first tranche of shares under the Technology Acquisition Agreement resulting in recognition of a significant non-cash fair value expense.

DIVIDENDS

There are no restrictions that could prevent the Company from paying dividends on its common shares.

The Company has not paid any dividends on its common shares as it will incur losses for the foreseeable future, and it is not contemplated that the Company will pay any dividends in the immediate or foreseeable future.

It is the Company's intention to use all available cash flow as working capital.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2024, the Company had a working capital surplus of \$1,713,597 (September 30, 2023 – working capital deficit of \$211,906). A net increase in cash was realized of \$1,663,381.

During the six months ended March 31, 2024 and to the date of this MD&A the Company closed a non-brokered private placement for the issuance of 1,250,000 units at a price of \$1.60 per unit for aggregate gross proceeds of \$2,000,000 and realized gross proceeds of \$990,000 (\$22,000 received during the three months ended September 30, 2023) through exercise of a total of 4,950,000 common share purchase warrants exercisable at \$0.20 per share.

Proceeds from these activities were used as loan advancements to Farm Flight Inc. and towards general working capital.

The Company will require additional funds for technology development, upcoming regulatory fees, business development and general operations. There can be no assurance that financing will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has no existing contractual obligations other than as described herein. There are no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts and other receivables and investments, excluding derivative assets, which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties and other liabilities, which are classified as financial liabilities at amortized cost. The carrying values of all these instruments approximate their fair values due to the short period to maturity.

The Company is exposed to credit risk in respect to managing its cash. All cash is held with a Canadian financial institution.

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CHANGES IN ACCOUNTING POLICIES

There have been no changes to accounting policies during the six months ended March 31, 2024.

RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere, the Company entered the following related party transactions during the six months ended March 31, 2024:

- Fees in the amount of \$5,000 (2023 – \$nil) were charged by James Young Consulting, a company controlled by James Young, a director and officer of the Company, pursuant to a contract for consulting services. Accounts payable as of March 31, 2024, were \$5,000 (September 30, 2023 - \$nil).
- Fees in the amount of \$6,764 (US\$5,000) (2023 – \$nil) were charged by Spresso Security – FZCO, a company controlled by Sean Prescott, a director of the Company, for development work on the Neural Network Platform. Accounts payable as of March 31, 2024, were \$6,764 (US\$5,000) (September 30, 2023 - \$nil). Sean Prescott is also the trustee to the Prescott Family Foundation (the “Foundation”), the counterparty to the Technology Acquisition Agreement.
- Fees in the amount of \$45,000 (2023 – \$nil) were charged by Lattz Equity, a company controlled by Darien Lattanzi, a director of the Company, pursuant to a contract for consulting services.
- Fees in the amount of \$30,000 (2023 – \$12,000) were charged by Alan Tam Inc, a company controlled by Alan Tam, a director and officer of the Company, pursuant to a contract for consulting services.
- Pursuant to a month-to-month sub-lease agreement, amounts of \$9,992 (2023 – \$nil) were charged by Munchen Motorwerks Ltd, a company with a of which Darien Lattanzi is also director, for office space rental. Accounts payable as of March 31, 2024, were \$5 (September 30, 2023 - \$5,246).

These related party transactions are in the normal course of operations and are measured at the exchange amount. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management was as follows:

	March 31, 2024	March 31, 2023
	\$	\$
Short-term benefits	86,764	12,000
Share-based payments	1,931	511,419
	88,695	523,419

OFF BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

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OUTSTANDING SHARE DATA AND DILUTION CALCULATION

The Company has authorized share capital consisting of common shares without par value, without special rights or restrictions attached and preferred shares without par value, with special rights or restrictions attached. The number of shares authorized is unlimited.

The Company has issued warrants for the purchase of common shares and also an Equity Incentive Plan. The table below summarizes the Company's common shares, stock options, warrants and restricted share rights that are convertible into common shares as of May 29, 2024:

Issued and outstanding common shares	45,600,001
Share options with a weighted average exercise price of \$0.60	1,500,000
Share purchase warrants with a weighted average exercise price of \$0.90	1,675,000
Restricted Share Rights - unvested	1,600,000
Fully Diluted	50,375,001

RISKS AND UNCERTAINTIES

The Company is exposed to a variety of known and unknown risks in the pursuit of its strategic objectives, including but not limited to liquidity/financial risk and general business. The impact of any risk may adversely affect, among other things, the Company's business, financial condition, and operating results, which may affect the market price of its securities. The Company monitors its risks on an ongoing basis and seeks to mitigate these risks as and when possible.

Liquidity/Financial Risks

The Company is exposed to normal financial risks including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The Company's principal liquidity and capital resource requirements are the capital required to acquire streams and general operating expenses. The Company funds these requirements through current cash and working capital balances which are carefully managed to ensure that operational needs and other contractual and financial obligations are met.

General Business Risks

The success of the Company's activities will depend on management's ability to implement its strategy and on the availability of opportunities related to the development, capabilities of its AI analytical software and image recognition technology focusing on its recognition system called General Enterprise Machine Learning ("GEM") as a one-tool solution in any visual information system; and general economic conditions. Although management is optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will successfully implement its current strategy.

Cybersecurity

Companies in all industries, including the mining industry, are susceptible to cyber risk. The Company's primary operational exposure to cyber risk is with respect to proprietary geological, geochemical and exploration data and related models. The Company, similar to companies in all industries, is exposed to common place cyber risks such as, but not necessarily limited to, phishing, spam, fraudulent attacks, denial of service attacks, data loss, data theft, data corruption.

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The Company outsources its IT management to IT professionals who implement, among other controls and mitigation strategies, system access and authentication controls, transactional authentication, system activity logging, audit trails, “exception” handling, on-prem and off-prem backup and storage of the Company’s data.

Other

The economic uncertainties around persistent inflation pressure and geopolitical events have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company’s results and financial condition and the full extent of that impact remains unknown.

DISCLOSURE CONTROLS AND PROCEDURES

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors who meet at least quarterly with management and at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters. There have been no significant changes to the Company’s internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

In connection with National Instrument 52-109 -*Certificate of Disclosure in Issuer’s Annual and Interim Filings*) (“NI 52-109”), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the six months ended March 31, 2024 and this accompanying MD&A (together, the “Filings”).

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR+ at www.sedarplus.ca.

SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to March 31, 2024:

On April 29, 2024, the Company appointed a new Chief Executive Officer. In connection with the appointment, the Company granted 1,000,000 restricted share rights whereby each right vests as follows: 10% after six months; 10% after nine and twelve months; 15% after fifteen and eighteen months and 20% after twenty-one and twenty-four months. Each vested right is redeemable for one common share of the Company at the time of vesting and expire five years from the date of grant.

On May 8, 2024, the Company issued 400,000 common shares pursuant to vested restricted share rights.