01 Communique Laboratory Inc.

Management's Discussion and Analysis

For the year ended October 31, 2020

ONE : TSX-V

Dated: January 12, 2021

01 COMMUNIQUE LABORATORY INC.

Management Discussion and Analysis
(In Canadian dollars)

Years ended October 31, 2020 and 2019

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1. Introduction:

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") has been prepared by management and is a review of the consolidated operating results and financial position of 01 Communique Laboratory Inc. ("01 Communique" or the "Company"), based upon International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes to the audited consolidated financial statements as at and for the year ended October 31, 2020.

The Company maintains appropriate systems of internal control, policies, and procedures that provide management reasonable assurance that assets are safeguarded and that its financial information is reliable.

This document and the related audited consolidated financial statements were authorized for issue by the board of directors on January 12, 2021.

All amounts are expressed in Canadian dollars unless otherwise stated. This MD&A is effective as of January 12, 2021.

Additional information on the Company, including its audited consolidated financial statements, is filed on SEDAR.

2. Forward-looking statements:

This MD&A contains certain statements that may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements use such words as "may", "will", "expect", "believe", "plan", "intend", "are confident" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, risk factors discussed in this MD&A. Although the forward-looking statements contained in this MD&A are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These

2. Forward-looking statements (continued):

forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

3. Corporate overview:

The Company has two business units. Its primary focus is on its cyber security business unit focusing on post-quantum cybersecurity with the development and commercialization of its IronCAP™ technology. IronCAP™'s patent-pending cryptographic system is an advanced Goppa code-based post-quantum cryptographic technology that can be implemented on classical computer systems as we know them today while at the same time can also safeguard against attacks in the future post-quantum world of computing. The Company's other business unit consists of its remote access business which provides its customers with a suite of secure remote access services and products under its I'm InTouch and I'm OnCall product offerings.

(i) Cyber Security.

There is a new breed of computer in development today called Quantum Computers. A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption unsecure. Public key encryption is a cornerstone of cyber security today and Quantum Computers may have the ability to hack applications that are based on and using public key encryption. As a result, the Company has devoted a significant amount of time researching this new disruptive cyber security technology and based on this research we have proceeded with the development and commercialization of products incorporating our IronCAP™ technology that we believe will be secure against Quantum Computer attacks.

The Company believes its IronCAP™ technology has wide ranging applications and is applicable for a number of vertical markets, including but not limited to Virtual Private Networks (VPNs), financial transactions, block-chain networks, cloud storage, development of web sites, password protection and email security. Essentially, whenever data is required to be kept safe from malicious attacks from hackers the Company's IronCAP™ technology is applicable.

The Company has developed and plans to continue to develop new products based on its IronCAP™ technology. The IronCAP™ API and IronCAP X™ are the first of these products to be released.

(1) IronCAP™ Application Program Interface ("API") which was released in August 2019. The IronCAP™ API is available to vendors and can be used by vendors, for example, to build highly secure "post-quantum" systems for blockchain, 5G/IoT, data storage, remote access/VPN, encryption, digital signing etc. using the standard PKCS#11 and OpenPGP formats.

3. Corporate overview (continued):

(2) IronCAP X™, a new cybersecurity product for email/file encryption was released on April 23, 2020 and v1.1 in August 2020. This digital signature system is built by implementing the patent application to provide end-to-end encrypted messages. IronCAP X™ has two major differentiations from what is in the market today. Firstly, offerings in today's market store users secured emails on email-servers for recipients to read, making email-servers a central target of cyber-attack. IronCAP X™, on the other hand, delivers each encrypted message end-to-end to the recipients such that only the intended recipients can decrypt and read the message. Consumer's individual messages are protected, eliminating the hackers' incentive to attack email servers of email providers. Secondly, powered by our patent-pending technology, we believe IronCAP X™ is the world's first quantum-safe, digital signature email system; secured against cyberattacks from today's systems and from quantum computers in the future. Consumers and businesses using our new cybersecurity product will have tomorrow's cybersecurity today.

The Company is marketing the IronCAP™ API and IronCAP X™ through a combination of forging partnerships along the lines of the one for its remote access services and products with Hitachi Business Solution Create Ltd. ("Hitachi Business Solution Create") to create awareness and grow revenue as well as marketing IronCAP X™ through its web site making the personal use version available free of charge.

There can be no guarantee that either the development of or commercialization of the Company's IronCAP™ technology will be successful or lead to significant revenues for the Company.

(ii) Remote Access Services and Products.

The Company has developed and markets through its web site a suite of products designed to meet the needs of mobile users who have a requirement for remote access and remote support. These products are marketed under the Company's I'm InTouch and I'm OnCall product lines and are available by a simple download from the Company's web site.

The Company has expended considerable resources in developing and marketing these products. To date these initiatives have not generated sufficient revenue for the Company to become profitable. As the Company moves forward, it plans to maintain its products and make them available from the Company's web site. There can be no assurance that these initiatives will lead to significant revenues for the Company.

The Company has formed a relationship with Hitachi Solutions Create whereby the companies have co-developed products for the Japanese market based on the Company's intellectual property

3. Corporate overview (continued):

portfolio. Hitachi Solutions Create retains exclusivity for marketing these products in Japan and the Company retains its marketing rights for the rest of the world.

There can be no guarantee that this relationship will continue to lead to an increase in revenues for the Company, or that the relationship will lead to other business opportunities which the Company is trying to secure.

4. Intellectual Property:

The Company has two U.S. and one Japanese patent applications for its IronCAP™ technology:

- United States patent application No. 16/268,098 entitled “A Cryptographic System and Method”. Our invention relates generally to cryptographic systems and methods. More particularly, our invention relates to public key cryptographic systems and methods that can be used, for example, to build highly secure systems for data storage, access, encryption, decryption, digital signing, and digital signing verification. Our cryptographic system is expected to protect our customers against the ever-evolving illegitimate and malicious means of gaining access to their data.
- United States patent application No.16/893,709 for a Cryptographic System and Method that facilitates sending encrypted emails to a recipient. Our invention, as described in the patent application, relates generally to cryptographic systems and methods. In a traditional end-to-end email encryption system, the recipient must first be a user of the system before the sender can send encrypted messages to the recipient. The new method facilitates sending encrypted emails to a recipient without having to first require the recipient to be an existing registered user of IronCAP X™. This invention enables a seamless plug-and-play mechanism to automatically invite new IronCAP X™ users fueling a viral growth pattern.
- Japanese patent application No. 2020-534078 entitled “A Cryptographic System and Method”.

The Company has a number of patents and patent applications which are incorporated in its I’m InTouch and I'm OnCall product and service offerings, as follows:

- United States patent number 6,928,479 (the “ '479 Patent”) entitled "System, computer product and method for providing a private communication portal";
- United States patent number 6,938,076 entitled "System, computer product and method for interfacing with a private communication portal from a wireless device";
- United States patent number 8,234,701 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";

4. Intellectual Property (continued):

- Canadian patent number 2,524,039 entitled "System, method and computer program for remotely sending a digital signal(s) to a computer";
- Canadian patent number 2,309,398, entitled "A system, computer product and method for remotely accessing and controlling a networked computer";
- Japanese patent number 4,875,094 entitled (as translated) "Method of accessing and/or controlling target computer, involves directing proxy server to send digital signal to target computer, so that remote computer is permitted to access/control target computer on receipt of digital signal";
- Japanese patent number 5,832,027 entitled (as translated) "Private communication portal provision system for two-way pager network, has location facility computer for facilitating communication between two other computers"; and
- United States patent application No. 14/486492 entitled "System, computer product and method for implementing a cloud service with private storage"

5. Fiscal 2020 Highlights:

The Company continued with work to help ensure the successful commercialization of its IronCAP™ technology as well as building revenue from its remote access service business.

1. The Company received a major endorsement supporting our belief that IronCAP™ is secure enough to safeguard against potential attacks from quantum computers. In December 2019, the Company ran a hackathon challenge which ran for 36 days open to contestants from anywhere in the world. A cash prize of $100,000 was offered as a reward to any contestant who could crack IronCAP™`s quantum-safe encryption. There were 517 registrations from various countries around the world all trying unsuccessfully for the $100,000 reward.

2. On April 23, 2020 IronCAP X™ our personal usage email encryption/authenticity product was made available free to individual subscribers through a simple download from our web site. We believe it to be the world's first product of its kind that is safe against conventional and future quantum computer attacks addressing the growing concern about email authenticity and personal information that can be collected, shared, and maliciously hacked. Version 1.1 was released in August 2020.

3. Business development activities have resulted in the announcements of new partnerships during 2020 with more agreements anticipated.

5. Fiscal 2020 Highlights (continued):

- November 19, 2019 entered into a Memorandum of Understanding (MOU) with ixFintech Limited ("ixFintech") to work towards ixFintech adopting IronCAP™ as their quantum computing security solution and in longer term, exploring possible areas of cooperation for development of future technology solutions aimed at ixFintech's new business initiatives. The MOU will see ixFintech and 01 Communique working together on cybersecurity offerings and new business development as well as marketing initiatives throughout Asia.
- December 8, 2020. Building on the MOU with ixFintech the two companies announced the introduction of the world's first quantum-safe Bitcoin ATM machine, DAEM (Digital Asset Exchange Machine) by ixFintech, using IronCAP™'s quantum-safe cryptographic technology.
- April 8, 2020 entered into a Memorandum of Understanding (MOU) with Nexusguard Consulting Limited ("NCL") to work towards a formal business partnership in bringing quantum-safe IronCAP™ cryptography technology to customers in Asia Pacific including Mainland China and Hong Kong. The MOU will see NCL and 01 Communique working together on cybersecurity offerings as well as marketing initiatives in the various markets operated by both companies.
- July 20, 2020 signed a partnership agreement with a global technology and system integration company headquartered in Montreal, Quebec. Under the agreement, 01 Communique would provide tools to showcase the strength of IronCAP™ cryptographic system ensuring safety against cyber-attacks.
- August 4, 2020 signed a partnership agreement with leading Canadian cybersecurity firm Privacy Horizon Inc. ("Privacy Horizon" or "PHI") to sell IronCAP™ products. PHI enables organizations to build privacy and security controls more quickly, and IronCAP™ products are designed to protect users from cyber-attacks and personal information breaches.
- October 29, 2020 entered into a joint business relationship with PwC, one of the world's leading professional services firm, to bring IronCAP™'s post-quantum cryptography technology and its related services to enterprise customers.
- December 14, 2020 signed a partnership agreement with U.K. based Mirata Ltd. ("Mirata") to provide patent-pending IronCAP™ post-quantum cybersecurity technology to their web-based technology solutions. Mirata services and solutions include email security, website hosting and server management, e-learning, web software and application development, etc. using both a cloud-based platform and a single-server platform.

  These partnerships add to the earlier signed memorandum of understanding (MOU) with Hitachi Solutions Create in Japan. Discussions with other leading technology firms are in progress.

5. Fiscal 2020 Highlights (continued):

4. In March 2020, the Company along with business partner Hitachi Solutions Create announced a 3-month free usage offer of DoMobile remote access services in Japan. DoMobile, which is marketed by Hitachi Solutions Create, is based on our I'm InTouch remote access service. The offer was intended to support the business community with increased telecommunications usage during the coronavirus pandemic. User numbers and revenue for DoMobile increased substantially during fiscal 2020. In response to the coronavirus pandemic many companies have moved towards remote work, a trend which we believe has contributed to the increased usage of I'm InTouch and resulting increase in revenue from licensing fees for fiscal 2020.

5. On May 29th the Company strengthened its balance sheet completing a non-brokered private placement of units ("Units"). Pursuant to the offering the Company issued a total of 1,683,334 Units raising aggregate gross proceeds of $202,000. Each Unit was issued at a price $0.12 and consists of one common share in the capital of the Company (a "Common Share") and one-half of one common share purchase warrant.

6. On June 9th the United States Patent and Trademark Office ("USPTO") issued the Company a receipt for its Patent Application No.16/893,709 for a Cryptographic System and Method that facilitates sending encrypted emails to a recipient. In August IronCAP X™ v1.1 was released utilizing the June 9th patent application, offering a personal usage email encryption with a "seamless invitation" to automatically insert an invitation to non-IronCAP X™ recipients to join IronCAP X™ and read the encrypted message. The end-to-end encryption of emails in IronCAP X™ offers complete protection and privacy for all our emails; including attachments.

7. The Company further strengthened its balance sheet during the fourth quarter fiscal 2020 with the exercising of 6,858,500 warrants and 1,850,000 stock options raising proceeds $1,073,275.

8. On October 7th the Company entered into a non-binding agreement for a drawdown equity facility of up to $5 million with Alumina Partners (Ontario) Ltd. ("Alumina Partners"), a subsidiary of Alumina Partners LLC, a New York-based private equity firm. The agreement was structured with the goal to provide the Company quick access to capital when required. The agreement provides for equity private placement offerings, to be conducted in drawdowns of up to $250,000 per tranche over a period of 24 months with the timing of each tranche to be made by the Company at its sole discretion. The amount and terms of each tranche will be subject to the mutual agreement of the Company and Alumina Partners.

6. Overview of results of operations:

The information in the financial table below present selected financial information for the three years ended October 31, 2020, 2019 and 2018. Information has been prepared in accordance with IFRS. The amounts are in Canadian Dollars.

	31-Oct-20	*31-Oct-19*	*31-Oct-18*
Revenue	$ 521,791	$ 283,107	$ 202,967
Expenses:			
Selling, general and administrative	586,101	562,200	306,401
Research and development	455,177	384,007	204,900
Withholding tax	50,805	24,635	18,421
	1,092,083	970,842	529,722
Loss before accretion on liability component of debenture, interest, other income, and expense	(570,292)	(687,735)	(326,755)
Interest on debenture	57,718	60,000	50,295
Accretion on liability portion of debenture	30,997	17,731	16,853
Loss before other income and expense	(659,007)	(765,466)	(393,903)
Foreign exchange gain	-	-	5,069
Interest income, net of interest expense	1,839	9,900	1,210
Reversal of accrued liability	-	441,809	-
Loss and comprehensive loss	$ (657,168)	$ (313,757)	$ (387,624)

The loss and comprehensive loss for fiscal 2020 was $657,168 an increase of $343,411 compared to fiscal 2019 and an increase of $269,544 from the loss in fiscal 2018. The major reasons for the variance in the loss for fiscal years 2018 through 2020 are as follows:

(a) Revenue has steadily increased from 2018 through 2020 with the largest increase in 2020. The Company believes much of this increase is a result of a response to the coronavirus pandemic whereby many companies have moved towards remote work, which contributed to an increase in revenue from the Company's remote access service.

(b) Operating expenses, excluding withholding tax, in fiscal 2020 were $1,041,278, a $95,071 increase compared to fiscal 2019 and a $529,977 increase compared to fiscal 2018. This increase in operating expenses is a result of the investment the Company has made over the

6. Overview of results of operations (continued):

past three years as we developed and prepared for commercialization of our IronCAP™ technology. Withholding tax represent taxes withheld on payments received from foreign customers. The increase in withholding tax from 2018 through 2020 is a result of the increase in revenue from Japan.

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

7. Use of non-IFRS terms:

1. In the Company's financial reporting, reference is made to cash operating expenses, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. Cash operating expenses are operating expenses excluding the non-cash operating expenses of stock based compensation, depreciation and amortization. This measure is used to assist in monitoring cash expenses of the Company as it is an indication of the amount of expenses required to fund the Company's operations on a cash basis. Stock based compensation is a non cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. The table below summarizes cash operating expenses.

	For the years ended	
	31-Oct-20	*31-Oct-19*
Total operating expenses, excluding withholding tax	$ 1,041,278	$ 946,207
Less - Stock based compensation	112,390	139,384
Depreciation and amortization	5,840	5,376
Cash operating expenses	$ 923,048	$ 801,447

7. Use of non-IFRS terms (continued):

Cash operating expenses for fiscal 2020 were $923,048 (2019 - $801,447) an increase of $121,601 a result of our investment in the development of and getting ready for commercialization of our IronCAP™ technology.

2. In the Company's financial reporting, reference is made to adjusted loss, which is a non-IFRS term. This term does not have a standardized meaning under IFRS and therefore it is unlikely it will be comparable to similar measures by other companies. The adjusted loss is the loss for the period and comprehensive loss excluding non-cash operating expenses, unusual items and is indicative of the loss for the period excluding non-cash operating expenses which are stock based compensation, and depreciation and amortization. This measure is used to assist in monitoring cash requirements of the Company as it is an indication of the amount of cash required to fund the Company's operations, on a cash basis. Stock based compensation is a non-cash expense and is largely dependent on the accounting assumptions and methods used for the calculation. Unusual items such as the reversal of a prior year's accrual as reported in 2019 are considered to be non-recurring. The table below summarizes the adjusted loss.

	For the years ended	
	31-Oct-20	*31-Oct-19*
Loss for the period and comprehensive loss	$ (657,168)	$ (313,757)
Less: non cash operating expenses	118,230	144,760
Add back the reversal of an accrued liability	-	(441,809)
Adjusted Loss for the year	$ (538,938)	$ (610,806)

The loss and comprehensive loss for fiscal 2020 of $657,168 (2019 – $313,757) includes as part of operating expenses non-cash expenses of $118,230 (2018 - $144,760) and an unusual item in fiscal 2019 being a reversal of an accrued liability which reduced the loss by $441,809. Excluding these non-cash operating expenses, which are included in operating expenses, and the reversal of the accrued liability in 2019 the adjusted loss for 2020 becomes $538,938 (2019 – $610,806) a decrease of $71,868. While the Company made a larger investment in the development and commercialization of its IronCAP™ technology during fiscal 2020 with an increase in operating expenses there was also an increase in revenue from its remote access service which allowed the Company to reduce its adjusted loss for the year.

8. Results of operations:

Revenue

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

	For the years ended	
	31-Oct-20	*31-Oct-19*
United States	$ 14,960	$ 16,939
Canada	9,881	8,810
Japan	497,050	257,358
	$ 521,791	$ 283,107

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

	For the years ended	
	31-Oct-20	*31-Oct-19*
Royalty fees	$ 450,200	$ 171,783
Development fees	20,250	59,175
Subscription and maintenance fees	51,341	52,149
	$ 521,791	$ 283,107

Revenue for fiscal 2020 was $521,791 (2019 - $283,107) an increase of $238,784 primarily a result of an increase from royalty and development fees in Japan. Revenue from Japan includes the ongoing subscription and maintenance fees from Hitachi Solutions Create. Revenue from Canada and the United States includes subscription fees received from our I'm InTouch service.

Gross profit

The vast majority of the Company's products sold are software based, which typically have a high gross margin. The gross margin for fiscal 2020 and 2019 was 100%.

8. Results of operations (continued):

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

	For the years ended	
	31-Oct-20	*31-Oct-19*
Selling, general and administration	$ 586,101	$ 562,200
less: stock-based compensation	(112,390)	(139,384)
	$ 473,711	$ 422,816

SG&A expenses, net of stock based compensation for fiscal 2020 were $473,711 (2019 - $422,816) an increase of $50,895 primarily a result of an increase in expenses pertaining to general corporate and administrative expenses required to be spent as we continue to invest in development of our IronCAP™ technology.

Stock option expense for the year ended October 31, 2020 was $112,390 (2019 - $139,384). The average grant date fair value of options granted during the year was $0.15 (2019 - $0.08). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the year ended October 31, 2020: expected dividend yield of nil (2019 - nil), expected volatility of between 166% and 176% (2019 – between 175% and 185%), weighted average risk-free interest rate of 1.5% (2019 – 2.25%) and expected lives of four years (2019 – four years).

Research and development

	For the years ended	
	31-Oct-20	*31-Oct-19*
Research and development	$ 455,177	$ 384,007

Research and development expenses for 2020 were $455,177 (2018 - $384,007) an increase of $71,170. The increase in research and development expenses relates to the Company's product development efforts as we continued with our investment in the development of our IronCAP™ technology.

9. Operating expenses:

The Company presents a functional consolidated statement of operations and comprehensive income in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and

9. Operating expenses (continued):

research and development expenses. The following tables present the expenses based on their nature:

For the year ended 2020

	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	$ 235,649	$ 361,943	$ 597,592
Stock-based compensation	112,390	-	112,390
Other operating expenses	238,062	93,234	331,296
	$ 586,101	$ 455,177	$ 1,041,278

For the year ended 2019

	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	$ 200,702	$ 270,606	$ 471,308
Stock-based compensation	139,384	-	139,384
Other operating expenses	222,114	113,401	335,515
	$ 562,200	$ 384,007	$ 946,207

Operating expenses for 2020 were $1,041,278 (2019 - $946,207) an increase of $95,071. Salaries, contractors, commissions and benefits in 2020 were $597,592 (2019 - $471,308) an increase of $126,284 which was the result of the increase in personnel related costs in SG&A and research and development as the Company continued with its investment in development and commercializing its IronCAP™ technology.

Other operating expenses required to run the business for 2020 remained relatively consistent at $331,296 (2019 - $335,515).

Stock option expense for the year ended October 31, 2020 was $112,390 (2019 - $139,384). The average grant date fair value of options granted during the year was $0.15 (2019 - $0.08). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the year ended October 31, 2020: expected dividend yield of nil (2019 - nil), expected volatility of between 166% and 176% (2019 – between 175% and 185%), weighted average risk-free interest rate of 1.5% (2019 – 2.25%) and expected lives of four years (2019 – four years).

10. Liquidity and capital resources:

	As at:			
		31-Oct-20		*31-Oct-19*
Cash and cash equivalents	$	962,337	$	283,712
Guaranteed investment certificate		60,000		300,000
Combined amounts	$	1,022,337	$	583,712

Combined amounts were $1,022,337 as at October 31, 2020 compared to $583,712 as at October 31, 2019 an increase of $438,625 primarily a result of a combination of the following:

1. The Company funding its adjusted loss for 2020 of $538,938 which is a use of funds.
2. Redeeming a debenture consisting in part of $200,000 cash which is a use of funds.
3. An increase in non-cash working capital of $112,217 a use of funds.
4. Financing activities providing $1,264,837 which is a source of funds and is made up of:
   - Non-brokered private placement for $191,562.
   - Exercise of stock options $92,500
   - Exercise of warrants and compensation options $980,775

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control.

At October 31, 2020, the Company had financial assets, consisting of cash and cash equivalents, guaranteed investment certificate and accounts receivable of $1,225,311 (2019 - $679,767) and financial liabilities, consisting of accounts payable and accrued liabilities and liability component of debenture of $151,111 (2019 - $531,665).

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

11. Fourth quarter 2020 results:

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

		31-Oct-20		*31-Oct-19*
Revenue	$	171,964	$	80,832
Expenses:				
Selling, general and administrative		170,377		158,532
Research and development		131,962		104,967
Withholding tax		16,633		6,334
		318,972		269,833
Loss before accretion on liability component of debenture, interest, and other income		(147,008)		(189,001)
Interest on debenture		12,718		15,000
Accretion on liability portion of debenture		17,165		4,320
Loss before other income and expense		(176,891)		(208,321)
Interest income		2,155		5,006
Interest expense		(909)		-
Reversal of accrued liability		-		441,809
Loss for the period and comprehensive loss	$	(173,827)	$	238,494
Basic	$	(0.00)	$	0.00
Diluted	$	(0.00)	$	0.00
Weighted average number of common shares				
Basic		86,125,334		80,212,646
Diluted		86,125,334		80,212,646

The loss and comprehensive loss for the fourth quarter of 2020 was $173,827 compared to a profit of $238,494 for 2019.

Revenue for the fourth quarter of 2020 was $171,964 (2019 - $80,832) an increase of $91,132 primarily a result of an increase from royalty fees in Japan.

Operating expenses for the fourth quarter of 2020, excluding withholding tax, were $302,339 (2019 - $263,499) an increase of $38,840. The Company continued to make an investment in the

11. Fourth quarter 2020 results (continued):

development of products based on its IronCAP™ technology as well as support for its remote access products and hence the increase in research and development costs. In addition, SG&A costs increased as the Company increased costs on sales and marketing activities to commercialize IronCAP X™ as well as continuing in efforts to build partnerships with companies for the integration of the IronCAP™ API with third party applications. In addition, there were additional costs incurred during the fourth quarter 2020 pertaining to the listing of the Company's shares on the OTCQB market in the U.S.A. Withholding tax was $16,633 (2019 - $6,334) an increase of $10,299 a result of an increase in revenue from Japan.

(a) Cash Operating Expenses:

The cash operating expenses for the three month periods ended October 31, 2020 and 2019 is shown in the table below:

		31-Oct-20		*31-Oct-19*
Total operating expenses excluding withholding tax	$	302,339	$	263,499
Less - Stock based compensation		15,640		24,806
Depreciation and amortization		1,500		1,439
Cash operating expenses	$	285,199	$	237,254

The cash operating expenses, which exclude stock based compensation and depreciation and amortization which are not cash expenses, for the fourth quarter of 2020 were $285,199 (2019 - $237,254) an increase of $47,945.

(b) Adjusted Loss:

The adjusted loss for the three month periods ended October 31, 2020 and 2019 is shown in the table below:

		31-Oct-20		*31-Oct-19*
Profit (loss) for the period and comprehensive profit (loss)	$	(173,827)	$	238,494
Less: non cash operating expenses		17,140		26,245
Add back the reversal of an accrued liability		-		441,809
Adjusted Loss for the period	$	(156,687)	$	(177,070)

11. Fourth quarter 2020 results (continued):

The adjusted loss for the fourth quarter of 2020 was $156,687 (2019 - $177,070) a reduction of $20,383. The adjusted loss excludes the one time reversal of an accrued liability in 2019 as well as non cash operating expenses.

(c) Revenue:

Revenue attributable to geographical location based on the customer for the three month periods ended October 31, 2020 and 2019 is shown in the table below:

	31-Oct-20	*31-Oct-19*
United States	$ 2,969	$ 4,889
Canada	2,674	1,592
Japan	166,321	74,351
	$ 171,964	$ 80,832

The significant categories of revenue recognized during the three month periods ended October 31, 2020 and 2019 are as follows:

	31-Oct-20	*31-Oct-19*
Royalty fees	$ 139,511	$ 47,951
Development fees	-	-
Subscription and maintenance fees	32,453	32,881
	$ 171,964	$ 80,832

Revenue for the fourth quarter of 2020 was $171,964 (2019 - $80,832) an increase of $91,132 primarily a result of an increase from royalty fees in Japan. Revenue from Japan includes the ongoing subscription and maintenance fees from Hitachi Solutions Create. Revenue from Canada and the United States includes subscription fees received from our I'm InTouch service.

(d) Operating Expenses:

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

11. Fourth quarter 2020 results (continued):

for the three months ended 31-Oct-20	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	$ 56,847	$ 97,850	$ 154,697
Stock-based compensation	15,640	-	15,640
Other operating expenses	97,890	34,112	132,002
	$ 170,377	$ 131,962	$ 302,339

for the three months ended 31-Oct-19	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	$ 69,684	$ 79,431	$ 149,115
Stock-based compensation	24,806	-	24,806
Other operating expenses	64,042	25,536	89,578
	$ 158,532	$ 104,967	$ 263,499

Operating expenses for fourth quarter 2020 were $302,339 (2019 - $263,499) an increase of $38,840.

Salaries, contractors, commissions and benefits for the fourth quarter of 2020 were $154,697 (2019 - $149,115) an increase of $5,582. There was an increase in personnel related costs in research and development as the Company continued with its investment in development of its IronCAP™ technology and related products as well as support for its remote access products.

Other operating expenses required to run the business for the fourth quarter of 2020 were $132,002 (2019 - $89,579) an increase of $42,423. There were costs incurred during fourth quarter 2020 relating to the listing of the Company's shares on the OTCQB market in the U.S.A.

(e) Cash and Cash Equivalents and GIC:

The table below represents the cash and cash equivalents and the guaranteed investment certificate:

As at:	*31-Oct-20*	*31-Jul-20*
Cash and cash equivalents	$ 962,337	$ 111,180
Guaranteed investment certificate	60,000	110,000
Combined amounts	$ 1,022,337	$ 221,180

11. Fourth quarter 2020 results (continued):

The combined amounts as at October 31, 2020 were $1,022,337 compared to $221,180 as at July 31, 2020 a $801,157 increase, which is due primarily to:

1. The Company funding its adjusted loss for fourth quarter 2020 of $156,687 which is a use of funds.
2. Redeeming a debenture consisting in part of $200,000 cash which is a use of funds.
3. A decrease in non-cash working capital of $93,513 which is a source of funds.
4. Financing activities providing $1,073,275 which is a source of funds and is made up of:
   - Exercise of stock options $92,500
   - Exercise of warrants and compensation options $980,775

12. Debenture:

The Company completed a financing which closed on April 24, 2015 and raised $400,000, which comprises four (4) debenture units ("Debenture Units"). In total the four Debenture Units consisted of secured debentures with a principal amount of $400,000, and 800,000 common share purchase warrants ("Warrants"). The Debentures were secured by a general security agreement over all present and future property of the Company. Each Warrant was exercisable into one common share in the capital of the Company at any time until expiry. On the initial close, each Debenture bore interest at a rate of 10% per annum, calculated and payable quarterly and had a term of 36 months maturing on April 24, 2018 and each Warrant was exercisable at a price of $0.21 and had an expiry date of April 24, 2018. Each Debenture was redeemable at any time prior to maturity at the discretion the Company, with payment of an additional three months interest. On January 31, 2018 and March 27, 2019, the Company entered into agreements to amend the terms of the April 24, 2015 Debenture Units.

The March 27, 2019 amendment was treated as a cancellation of the January 31, 2018 Debenture and Warrants and an issuance of a new Debenture and Warrants under the new terms. Under the terms of the March 27, 2019 amendment, the maturity date of the Debenture and the expiry date of the Warrants was extended to April 24, 2020. The interest rate on the Debenture remained at 15% per annum, the exercise price on the Warrants remained at $0.10 and all other terms and conditions remained consistent with the January 31, 2018 amendment. During 2019, an accelerated expiry date of the Warrants was triggered, which under the terms of the Warrant agreements would have resulted in the expiry of the Warrants unless exercised within 30 days.

On January 24, 2020, the Company agreed with the holders of such Debentures to redeem all of the Debentures outstanding without any prepayment penalty and issue new secured Debentures

12. Debenture (continued):

("New Debentures") under the same terms and conditions of the previously amended Debentures, other than the maturity date was extended to April 24, 2021.

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

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

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

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

Accretion charges on the liability component of the debentures of the Company aggregating $30,997 (2019 - $17,731) were calculated using the discount rate of 20% and have been recorded in the statement of operations.

The following details the changes in debentures for the years ended October 31, 2020 and 2019.

		2020		2019
Balance, beginning of year	$	390,703	$	390,733
Accretion charges		30,997		17,731
Equity portion of new debentures		(21,700)		(17,761)
Settlement, cash paid		(200,000)		-
Settlement, common shares and warrants		(200,000)		-
Balance, end of year	$	-	$	390,703

13. Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk:

Net monetary assets and liabilities due in U.S. dollars include accounts payable of $15,148 (2019 – $13,882), cash of $179,571 (2019 - $117,362) and accounts receivable of $126,001 (2019 - $64,660).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in U.S. dollars. Substantially all of the Company's sales are in U.S. dollars. As a result, the Company is subject to currency risk from both sales made and expenses incurred in U.S. dollars. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. and the Canadian dollar from either the date of the sales transaction to the collection date due or from the date an expense is incurred in the U.S. to the date the payment is made. As at October 31, 2020, the Company had net monetary assets due in U.S. dollars of $261,600 (2019 –$160,000). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at October 31, 2020 would have resulted in a gain in the amount of $38,300 (2019 - $21,000) or a loss of $38,300 (2019 - $21,000), respectively.

The Company has performed a sensitivity analysis for foreign exchange exposure over the year ended October 31, 2020. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue and expenses incurred in U.S. dollars, at the actual exchange rate, to a hypothetical 10% movement in the foreign currency exchanges rates against the Canadian dollar, with all other variables held constant. Foreign currency exchanges rates used were based on the market rates in effect during the year ended October 31, 2020. The sensitivity analysis indicated that a hypothetical 10% movement in the foreign currency exchange rate from the Canadian dollar to the U.S. dollar would result in a change to the net loss for the year ended October 31, 2020. An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% during the year ended October 31, 2020 would have resulted in a gain in the amount of $41,600 (2019 - $17,200) or a loss of $41,600 (2019 - $17,200), respectively. There can be no assurances that the above projected exchange rate change will materialize.

13. Market risk (continued):

Interest rate risk:

The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits and the liability component of the debenture.

14. Contingencies and commitments:

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's operations and ability to raise capital.

Reversal of accrued liability:

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

On October 7th the Company entered into a non-binding agreement for a drawdown equity facility with a private equity firm (Alumina Partners). The agreement provides for equity private placement offerings up to $5,000,000 in units of the Company, with each unit consisting of one common share and one-half of one common share purchase warrant, to be conducted in drawdowns of up to $250,000 per tranche over a period of 24 months with the timing of each tranche to be made by the Company at its sole discretion. The amount and terms of each tranche will be subject to the mutual agreement of the Company and the investor. As at October 31, 2020, no placements had been made.

15. Adoption of new accounting policies:

IFRS 16, Leases ("IFRS 16"):

Effective November 1, 2019, the Company adopted IFRS 16, Leases, issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single accounting model, requiring the recognition of assets and liabilities for all major leases previously classified as operating leases. IFRS 16 supersedes the lease accounting guidance in IAS 17, Leases as well as some lease related interpretations.

(a) The Company's accounting policy under IFRS 16 is as follows:

(i) Definition of a lease:
At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applied the definition of a lease under IFRS 16 to existing contracts as of November 1, 2019.

(ii) As a lessee:
The Company has leased premises at 789 Don Mills Road in Toronto, ON which is considered a right-of-use asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term can include periods covered by an option to extend if the Company is reasonably certain to exercise that option providing the lease has such a provision. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability, if required.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

15. Adoption of new accounting policies (continued):

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for (1) short-term leases, that have a lease term of 12 months or less, as well as for (2) leases of low value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

(b) Impact of transition to IFRS 16:

The Company has opted to apply the standard retrospectively without restatement of prior periods for the year ended October 31, 2020.

The Company's leased premise, considered a right-of-use asset, commenced April 1, 2019 for a period of 24 months without a renewal provision. The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at November 1, 2019. The incremental borrowing rate applied was determined to be 5.0% per annum for the lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment.

The following table summarizes the impact of adopting IFRS 16 at November 1, 2019:

	Balance at October 31, 2019 (as reported)	IFRS 16 Adjustments	Balance at November 1, 2019 (post adoption)
Non-current assets			
Property and Equipment	$35,253	$63,583	$98,836
Liabilities			
Current liabilities			
Lease liabilities	-	44,879	44,879
Non-current liabilities			
Lease liabilities	-	18,704	18,704
Accumulated deficit			

The application of IFRS 16 to leases, previously classified as operating leases resulted on the recognition of right-of-use assets of $63,583 and finance lease liabilities of current and non-

15. Adoption of new accounting policies (continued):

current liabilities of $63,583. There was no impact on opening retained earnings on implementation of IFRS 16.

A reconciliation of operating lease commitments previously reported and the amount of the lease liability recognized on transition is as follows:

Operating lease obligation at October 31, 2019	$	66,541
Effect from discounting using the incremental borrowing rate		(2,958)
Lease liabilities recognized as IFRS 16 adjustment at November 1, 2019	$	63,583

16. Related party transactions:

The remuneration of directors and other key management personnel of the Company during the years ended October 31, 2020 and 2019 was as follows:

		2020		2019
Salaries and contractor fees	$	227,500	$	216,250
Stock-based compensation		110,594		121,479
Total	$	338,094	$	337,729

The Company's President and Chief Executive Officer ("CEO") invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during 2020 were $66,000 (2019 - $59,750) and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the CEO received a salary for 2020 of $84,000 (2019 - $84,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

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

17. Critical accounting estimates:

The preparation of consolidated financial statements prepared in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates. Management must also make estimates and judgements

17. Critical accounting estimates (continued):

about future results of operations in assessing recoverability of assets and the value of liabilities. These judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the years in which the estimates are revised and in any future years affected.

Critical judgements and estimates used in the preparation of the consolidated financial statements include the following:

Going concern

The Company's ability to continue its ongoing and planned software development activities and to continue operations as a going concern is dependent on the Company achieving profitable operations and/or the ability to obtain external financing from time to time.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments and warrants

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

17. Critical accounting estimates (continued):

Development costs qualifying for capitalization

In assessing whether development costs qualify for capitalization, management makes judgments and estimates related to expectations of technical feasibility in completing the project, the probability of future economic benefits, the availability of adequate technical and financial resources to complete the development, the ability to reliably measure the costs, and whether the Company intends to complete development, and to use or sell the assets.

In making these judgments and estimates, management has assessed various sources of information, including but not limited to, criteria for the capitalization of development costs, forecasted cash flows associated with the developments and with operations, in general, which are used to support whether or not the Company will have sufficient resources to complete the development of the assets. Changes in management's judgments, estimates and assumptions, could have a material effect in the future on the Company's financial position and results of operations.

Compound financial instruments

The classification of the Company's debentures required management to analyze the terms and conditions of the debentures and use judgment to assess whether these debentures are liability, equity, or a combination of the two. IAS 32 provides the criteria for management to assess these complicated financial instruments to determine their appropriate classification(s). Factors considered are, but not limited to, whether the Company has a future obligation to settle the instrument in cash or exchange other assets or liabilities, the currency of settlement and if the settlement is already known to be equity, the amount will not vary based on the Company's future share price. Estimating the liability and equity components of the debentures requires determining and making assumptions about the inherent value of the liability components including the discount rate appropriate for similar debt instruments, absent any warrants.

Government assistance and investment tax credits

The Company has applied for and received funding from certain government grants and assistance programs. Remaining funding under these grant programs, if any, will be recognized when the Company qualifies and there is reasonable assurance that the grant will be received. Government assistance and investment tax credits received are subject to government audit and potential reassessment subsequent to the reporting period. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recognized in operations in the period in which such determination is made.

17. Critical accounting estimates (continued):

Discount rate used in adoption of IFRS 16

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's estimated incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

18. Risks and Uncertainties:

An investment in Common Shares is speculative and involves a high degree of risk, is subject to the following specific risks, among others, and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. Common Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Prospective investors should review these risks as well as other matters disclosed elsewhere in this Management Discussion and Analysis with their professional advisors.

Prospects for companies in the computer and software industry generally may be regarded as uncertain given the inherent nature of the industry and, accordingly, investments in such companies should be regarded as speculative.

(a) Lack of Revenue and Profitability

The Company has sustained substantial losses and negative cash flows from operations in recent years. The ability to generate future profitable operations and cash flows is dependent on the successful development of and commercialization of the Company's IronCAP™ technology and/or increased revenues from the Company's remote access products and services. There can be no guarantee that either the development of or commercialization of the Company's IronCAP™ technology will be successful or lead to significant revenues for the Company. In addition, there can be no guarantee that the Company's initiatives with its remote access products and services will lead to significant revenues for the Company.
Refer to *Section 3. Corporate Overview* for the prospects for the Company.

(b) The future of Quantum Computers

A Quantum Computer can process information exponentially faster than "classical computers" which could render existing public key encryption unsecure. Public key encryption is a cornerstone of cyber security today and Quantum Computers may have the ability to hack applications that are based on and using public key encryption. Quantum Computers are

18. Risks and Uncertainties (continued):

evolving and the timing as to when one will be available that renders public key encryption unsecure is unknown. The Company believes the introduction of such a Quantum Computer will be instrumental for successful commercialization of its IronCAP™ technology and until one is available successful commercialization could be delayed.

In addition, when such a Quantum Computer becomes available and while the Company believes and has designed its IronCAP™ technology to provide a safeguard against malicious attacks by such a Quantum Computer there can be no guarantee such will be the case.

(c) Listing of the Company's Common Shares

The stock exchange on which the Company's Common Shares currently trade and upon which they may trade in the future have certain minimum listing requirements that must be met in order to be eligible to continue to trade on such exchanges. If the Company is unable to continue to satisfy these criteria it may be delisted from these exchanges and will be required to find a different exchange on which to list. A change in the exchange on which the Common Shares are listed may result in a decreased share price and/or decreased liquidity. Furthermore, if the Company is not able to find a different exchange on which to list shareholders may not be able to transfer their shares. The trading symbol for the Company where the shares are traded in Canada on the TSX-V is ONE and where the shares are traded in the U.S. the symbol is OONEF and the shares are quoted on the OTCQB market.

(d) New Products and Technological Change

The communications software industry is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions, any of which could make the Company's products obsolete. There can be no assurance that the Company will be successful in enhancing existing products or introducing, manufacturing or marketing new products to meet changing end-user requirements and emerging industry standards and protocols. The Company must devote continued efforts and financial resources to develop and enhance existing products and conduct research to develop new products. The development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation, as well as the accurate anticipation of technological and market trends. The Company may not be able to identify, develop, manufacture, market or support new or enhanced products successfully or on a timely basis and may not be able to respond effectively to product announcements by competitors, technological changes or emerging industry standards which could, among other things, have a material adverse effect on the Company's business, operating results or financial condition. The Company may also announce new products or product enhancements, capabilities or technologies that have the potential to

18. Risks and Uncertainties (continued):

replace or shorten the life cycle of its existing product offerings and that may cause customers to defer purchasing its existing products.

(e) Market Acceptance of Products

The Company designs and develops software-based products for the cyber security and the remote access and support markets. As with any technology, there is a substantial risk that the marketplace may not accept the Company's products. Market acceptance of the Company's products depends, in large part, upon its ability to demonstrate its products' performance and cost-effectiveness over competing products and upon the success of its sales efforts as well as those of its customers. The Company may not be able to continue to market its products successfully and no assurance can be given that any of its current or future products will be accepted in the marketplace.

(f) Competition

Competition in the cyber security and the remote access and support markets is intense and growing rapidly. Accordingly, it is possible that new competitors or alliances among competitors and vendors may emerge and rapidly acquire market share. Many of the Company's current and potential competitors have significantly greater financial, technical, marketing, service, support and other resources than the Company, as well as longer operating histories, greater name recognition and larger customer bases. As a result, they may be able to secure resources on more favorable terms than the Company, and they may be able to respond more quickly to changes in customer preferences or to devote greater resources to the development, promotion and sale of their products than can the Company. Increased competition could result in significant price competition, reduced profit margins, fewer customer orders or loss of market share. The Company may not be able to compete successfully with existing or future competitors and cannot ensure that competitive pressures will not materially and adversely affect its business, operating results or financial condition.

(g) No Assurance of Successful Marketing

The Company does not have extensive experience in successfully marketing its products. Thus, there can be no assurance that future efforts to market its products will be successful. If the Company relies on third parties to market its products, the commercial success of such products may be outside of the Company's control.

18. Risks and Uncertainties (continued):

(h) Proprietary Technology

The Company's success will depend, in part, on its ability to maintain copyright and trademark protection, trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that the Company's intellectual property rights, copyright and/or trademarks will not be challenged by any third parties, or that the intellectual property rights of others will not have a material adverse effect on the ability of the Company to do business. Furthermore, there can be no assurance that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products. The Company may be required to obtain licenses for proprietary rights of third parties. No assurance can be given that any licenses required will be available on terms acceptable to the Company. If the Company does not obtain such licenses, it could encounter delays in introducing one or more of its products to the market or could find that the development, manufacture or sale of products requiring such licenses could be precluded. In addition, the Company could incur substantial time, effort and/or costs in policing unauthorized use of its intellectual property and/or in defending itself in suits brought against it or in suits in which the Company attempts to enforce its own intellectual property rights against other parties.

(i) Currency Risk

A substantial portion of the Company's revenues are now, and are expected to continue to be, realized in United States dollars. Fluctuations in the exchange rate between the Canadian dollar and the United States dollar may have a material adverse effect on the Company's results of operations. In particular, the Company may be adversely affected by a strengthening of the Canadian dollar against the United States dollar if revenues in United States dollars exceed expenses incurred in United States dollars. The Company may also be adversely affected by a weakening of the Canadian dollar against the United States dollar if the expenses incurred exceed revenue incurred in United States dollars.

(j) Product Liability and Insurance

The sale and use of the Company's products or its products under development may entail risk of product liability. Although the Company considers that it currently has adequate insurance coverage for any product liability claim, as the Company expands and introduces new products there can be no assurance that it will be able to obtain appropriate levels of product liability insurance prior to any use of its products. An inability to obtain insurance on commercially reasonable terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company or expose the Company to significant product liability risks. The obligation to pay any product

18. Risks and Uncertainties (continued):

liability claim or a recall of a product could have a material adverse effect on the business, financial condition, operating results or prospects of the Company.

(j) Dependence on Key Personnel

The Company's ability to develop, manufacture and market its products and compete with current and future competitors depends, to a great extent, on its ability to attract and retain highly qualified personnel (and attract new personnel where required). Competition for such personnel and relationships is intense and the Company must compete in this regard with companies that have substantially greater financial and other resources than it does. The Company is highly dependent on the principal members of its management and research and development staff ("Key Personnel") and, in particular, Mr. Andrew Cheung, its Chief Executive Officer. The loss of Mr. Cheung's services could have the effect of materially impeding the achievement of development objectives. The persons working with the Company are affected by a number of influences outside of the control of the Company. The failure to attract and retain qualified personnel or the loss of the services of one or more Key Personnel could have a material adverse effect on the Company's business, operating results or financial condition.

(k) Public Market and Volatility of Share Price

Factors such as announcements of technological innovation or the introduction of new products by the Company or its competitors, actual or anticipated fluctuations in the Company's operating results, changes in estimates of the Company's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the Common Shares. In addition, the stock market has experienced volatility which has particularly affected the market prices of equity securities of many high technology companies and which often has been unrelated to the operating performance of such companies. These market fluctuations may materially adversely affect the market price of the Common Shares.

(l) Distribution Agreements

The Company's distribution and licensing agreements contain various provisions for termination and/or renewal, some of which provide for termination without cause and on short notice. Such provisions are not uncommon in the industry and the Company anticipates that it will continue to enter into such agreements. Some of the Company's distribution arrangements are also not embodied in written agreements.

18. Risks and Uncertainties (continued):

(m) The Trend towards Industry Consolidation

Consolidation in the software industry continues to occur, with competing companies merging or acquiring other companies in order to capture market share or expand product lines. As this consolidation occurs, the nature of the market may change as a result of fewer players dominating particular markets, potentially providing customers with fewer choices. Also, some of these companies offer a broader range of products than the Company, and the Company may not be able to compete effectively against these competitors. Any of these changes may have a significant adverse effect on the future revenues and operating results of the Company.

(n) Potential Fluctuations in Quarterly Financial Results

The Company's quarterly financial results could be impacted significantly by the timing of substantial orders and shipments as well as new releases of its products and intellectual property agreements. The Company's operating expenses are based on anticipated revenue levels in the short term, are relatively fixed and are incurred throughout the quarter. Additionally, the Company's products may be subject to long sales cycles. As a result, if expected revenues are not realized as anticipated, the Company's quarterly financial results could be materially adversely affected. Quarterly financial results in the future may be influenced by these or other factors, including possible delays in the shipment of new products and entering into or failing to enter into or renew a material contract or order. Accordingly, there may be significant variations in the Company's quarterly financial results and such results may not meet the expectations of analysts or investors. If this occurs, the price of the Common Shares may decline. See also "Distribution Agreements", "Volatility of Share Price".

(o) Control of Shares by Principal Shareholder

Andrew Cheung, the President and Chief Executive Officer of the Company and the principal shareholder of the Company, maintains effective control of the Company through control and/or ownership of, in the aggregate, approximately 12% of the outstanding Common Shares. As a result, Mr. Cheung could exercise significant influence over all matters requiring shareholder approval, including the ability to elect directors and approve fundamental changes to the Company. Such concentration of ownership may have the effect of delaying or preventing a change in control of the Company, its Board or management.

19. Disclosure controls and internal controls over financial reporting:

In the course of evaluating its internal controls over financial reporting as at October 31, 2020, management has identified the following material weakness:

There is limited segregation of duties which could result in a material misstatement in the Company's consolidated interim or annual financial statements. Given the Company's limited staff level, certain duties within the accounting and finance department cannot be properly segregated. This deficiency, which is pervasive in impact, did not result in a material misstatement to the consolidated financial statements. The Company relies on certain mitigating controls, including periodic substantive review of the consolidated financial statements by the Chief Executive Officer, Audit Committee and Board of Directors; however, these mitigating controls do not eliminate the existence of the material weakness.

As at October 31, 2020 the Company's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures and internal control over financial reporting. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures and internal control over financial reporting are ineffective as a result of the material weakness in internal control over financial reporting described above.

There have been no significant changes to the Company's internal control environment during the year ended October 31, 2020 that would have materially affected the Company's internal controls over financial reporting.

20. Disclosure of outstanding share data:

The Company's share capital consists of the following:

Authorized:

50,000 Series A preference shares

Unlimited preference shares, issuable in series

Unlimited common shares

Issued:

91,393,973 common shares

5,085,000 stock options outstanding convertible into common shares at exercise prices ranging from $0.05 to $0.42. The options expire between June 7, 2021 and October 8, 2024.

20. Disclosure of outstanding share data (continued):

The following table summarizes the warrants that were outstanding as at October 31, 2020.

	Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
Warrants issued on private placement (note 19 (a))	$ 0.15	1,612,332	0.70	$ 0.15
Compensation warrants issued on private placement (note 19 (b))	0.15	184,916	0.70	0.15
Debenture warrant (note 19 (c))	0.13	400,000	0.50	0.13
Warrants issued on settlement of debenture (note 19 (d))	0.35	100,000	1.90	0.35
Warrants issued on private placement (note 19 (e))	0.15	791,667	1.55	0.15
Compensation warrants issued on private placement (note 19 (f))	0.12	46,667	1.55	0.12
		3,135,582	0.92	$ 0.15

(a) Each warrant entitles the holder to acquire one common share for $0.15 at any time prior to July 29, 2021.

(b) Each compensation warrant entitles the holder to acquire one common share for $0.15 at any time prior to July 29, 2021.

(c) Each debenture warrant entitles the holder to acquire one common share for $0.13 at any time prior to April 24, 2021.

(d) Each warrant entitles the holder to acquire one common share for $0.35 at any time prior to April 24, 2021.

(e) Each warrant entitles the holder to acquire one common share for $0.15 at any time prior to May 29, 2022.

(f) Each warrant entitles the holder to acquire one common share for $0.12 at any time prior to May 29, 2022.

Subsequent to the end of the year, on November 4, 2020 the 400,000 debenture warrants were exercised resulting in the Company issuing 400,000 common shares for cash proceeds of $52,000 and on November 13, 2020, the Company issued 25,000 common shares pursuant to the Company's stock option plan for cash proceeds of $1,750.

21. Quarterly results of operations:

The following tables sets forth certain information from the unaudited consolidated statements of operation for the eight most recent quarters of operations ended October 31, 2020 as prepared in accordance with IFRS.

for the 3 months ending	***31-Oct-20***	***31-Jul-20***	***30-Apr-20***	***31-Jan-20***
Revenue	$ 171,964	$ 235,160	$ 73,297	$ 41,370
Expenses:				
Selling, general and administrative	170,377	111,153	162,918	141,653
Research and development	131,962	120,717	131,404	71,094
Withholding tax	16,633	22,900	7,816	3,456
	318,972	254,770	302,138	216,203
Profit (loss) before accretion on liability component of debenture, interest, other income and expense	$ (147,008)	$ (19,610)	$ (228,841)	$ (174,833)
Interest on debenture	12,718	15,000	15,000	15,000
Accretion on liability portion of debenture	17,165	4,535	4,762	4,535
Loss before other income and expense	(176,891)	(39,145)	(248,603)	(194,368)
Interest income	2,155	-	150	725
Interest expense	(909)	671	679	750
Loss for the period and comprehensive loss	$ (173,827)	$ (39,816)	$ (249,132)	$ (194,393)

for the 3 months ending	***31-Oct-19***	***31-Jul-19***	***30-Apr-19***	***31-Jan-19***
Revenue	$ 80,832	$ 77,555	$ 74,685	$ 50,035
Expenses:				
Selling, general and administrative	158,532	122,519	151,136	130,013
Research and development	104,967	99,862	94,929	84,249
Withholding tax	6,334	7,143	6,813	4,345
	269,833	229,524	252,878	218,607
Loss before accretion on liability component of debenture, interest, other income and expense	(189,001)	(151,969)	(178,193)	(168,572)
Interest on debenture	15,000	15,000	15,000	15,000
Accretion on liability portion of debenture	4,320	4,114	4,762	4,535
Loss before other income and expense	(208,321)	(171,083)	(197,955)	(188,107)
Interest income	5,006	2,184	1,913	797
reversal of accrued liability	441,809	-	-	-
Profit (loss) for the period and comprehensive profit (loss)	$ 238,494	$ (168,899)	$ (196,042)	$ (187,310)

01 COMMUNIQUE LABORATORY INC.

CORPORATE INFORMATION

DIRECTORS

Andrew Cheung
President & CEO

William A. Train
Chairman
Private investor

Gary Kissack
Lawyer, Fogler, Rubinoff LLP

Jane Yang
Director

OFFICERS

Andrew Cheung
President & CEO

Brian Stringer
Chief Financial Officer

Gigi Loo
Controller & Corporate Secretary

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In U.S. OTCQB: OONEF